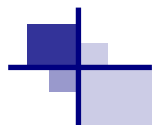


OF THE INTERAGENCY TASK FORCE ON STATISTICS OF INTERNATIONAL TRADE IN SERVICES

N°2 - June 2006



EDITORIAL

UPDATING THE MANUAL ON STATISTICS OF INTERNATIONAL TRADE IN SERVICES

Dear Reader,

As mentioned in the first issue of this Newsletter¹, the Manual on Statistics of International Trade in Services (MSITS) approved by the United Nations Statistical Commission in 2001 is due for updating in order to better reflect realities of international trade in services and to incorporate relevant amendments adopted in the context of the revision of 1993 System of National Accounts, preparation of the sixth edition of the International Monetary Fund's Balance of Payments Manual, and revision of other relevant international recommendations and standards.

In this regard, and in order to understand and take into account the needs and views of data compilers and data users around the world, a consultation document including a questionnaire concerning the update was prepared by the Interagency Task Force on Statistics of International Trade in Services (TFSITS)².

This consultation document sets out the need to update the MSITS. It identifies aspects of the Manual that need updating, and offers some proposals on the scope of the update and some possible improvements. This document

makes reference to the Manual which can be browsed or downloaded at <http://unstats.un.org/unsd/tradeserv/manual.htm>.

The consultation document has been sent in June by the United Nations Statistics Division (UNSD), the International Monetary Fund (IMF) and the World Trade Organization (WTO) with the request for reply to their respective contacts -both compilers and users of trade in services statistics, as well as to the international organizations active in the area of international trade in services. It has also been posted on http://unstats.un.org/unsd/tradeserv/msits_update_consultation.htm.

The reader will find in the next pages the full questionnaire. The TFSITS would very much appreciate the assistance of all the stakeholders in making this consultation process as wide ranging and effective as possible, by promoting it within your country among interested parties. Readers working at or involved with any of the contacted organizations are encouraged to raise awareness of this consultation document within their organizations to achieve a best possible reply. ■

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¹ See *Update of the Manual on Statistics of International Trade in Services*, by William Cave, OECD, page 2 of Issue number 1, January 2006.

² In charge of the update, TFSITS is comprised of the following members: the United Nations Statistics Division (UNSD), the Statistical Office of the European Communities (Eurostat), the International Monetary Fund (IMF), the Organization for Economic Co-operation and Development (OECD), the United Nations Conference on Trade and Development (UNCTAD), the World Trade Organization (WTO) and the World Tourism Organization (UNWTO). The TFSITS is chaired by OECD.



FOCUS

CONSULTATION DOCUMENT AND QUESTIONNAIRE

The views of your organization are invited by 31 July 2006. Please send your comments to std.servstat@oecd.org

This consultation document sets out the need to update the Manual on Statistics of International Trade in Services. It identifies aspects of the Manual that need updating, and offers some proposals on the scope of the update and some possible improvements **with questions for your response**. This document makes reference to the Manual which can be browsed or downloaded at <http://unstats.un.org/unsd/tradeserv/manual.htm>.

The consultation document is addressed to both compilers and users of trade in services statistics in all the member countries of the UN, IMF and WTO as well as to interested international organisations.

WHAT IS AT STAKE?

The MSITS was first published by six agencies at the end of 2002. It represented a major step forward in the measurement of this trade. One of the main aims of MSITS was to provide a framework to address the main information needs of trade negotiations and analysis, in particular the General Agreement on Trade in Services, which came into effect in January 1995.

The MSITS is constructed with some elaboration on two basic frameworks:

- for services trade between residents and non-residents - the IMF Balance of Payments Manual Fifth Edition (BPM5), which is currently being revised;
- for foreign affiliates trade in services – the concepts and definitions are consistent with the 1993 System of National Accounts (1993 SNA) and those of the draft OECD Handbook of Economic Globalisation Indicators (HEGI), which has since been published (OECD 2005).

Thus MSITS provides a kind of satellite account, which is anchored in the 1993 SNA, the international accounts, trade in services, and services production. But MSITS extends the concept of trade in services beyond the traditional national accounting view of trade to consider how services are delivered internationally from a perspective more familiar to trade negotiations.

With the current revisions and updates of the 1993 SNA, BPM5, the activity and product classifications International Standard Industry Classification (ISIC)

Provisional Timetable

May 2006 – July 2006 Worldwide consultation period on scope of update and issues to be included.

August 2006 to January 2007 TFSITS to review worldwide consultation responses on updating MSITS and draft (annotated) outline of updated MSITS. Draft Chapter on Mode 4

February to June 2007 Consultations on the outline of the updated MSITS (e.g. regional seminars, expert groups, TFSITS website).

July 2007 – March 2008 TFSITS to review comments; draft updated MSITS; and revise concordances.

April to July 2008 Worldwide consultation on final draft of updated MSITS.

- **September – December 2008** TFSITS to review comments and draft final submission to UNSC 2009

2009 Produce updated MSITS publication

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and the Central Product Classification (CPC), and developments in related statistical frameworks, it has become necessary to update the MSITS. Given the relative newness of MSITS, the planned update would be **limited** in scope.

The TFSITS has agreed to produce an updated MSITS by the end of 2008 for approval by UN Statistical Commission (UNSC) in 2009. The process begins with a worldwide scoping consultation on issues for the update of MSITS in 2006.

The issues for the update of MSITS are:

- the impact of the BPM5 and 1993 SNA revisions. For example the main trade in services classification, the Extended Balance of Payments Services Classification (EBOPS), will need to be reviewed. However it is emphasised that changes not reflected in the aforementioned revisions would be limited in scope;
- the measurement of modes of supply of services, in particular mode 4 (supply of services through presence of natural persons). MSITS acknowledged some unfinished business. It was envisaged that a future revision would contain a chapter setting out a statistical framework for the measurement of this mode of supply. Building on the work begun by the UNSD led Technical Sub-group on Movement of Persons - Mode 4, the TFSITS aims to prepare such a chapter;
- the revision of other linked frameworks such as Foreign Direct Investment and the Tourism Satellite Account Methodological Recommendations;
- the re-alignment of links to the

revised international product and activity classifications CPC and ISIC;

- to take into account country experiences in implementing the MSITS, problems in analysing the consequent data, other progress in measuring modes of supply, and any other necessary updating.

THE QUESTIONNAIRE

Issues and questions for Chapter 1

In Chapter one, the paragraphs 1.18-1.28 of MSITS include a summary list of recommendations with priorities for implementation. This was done to encourage the progressive production of a core data set to enable a reasonable degree of international comparability of data for users.

Question 1.1 Do you agree with the existing list of priority recommendations in Chapter 1? Yes or No? _____

Question 1.2 If not, please suggest any amendments to the priority recommendations _____

Question 1.3 Do you agree with the existing order of priority in the recommendations in Chapter 1? Yes or No? _____

Question 1.4 If not, please suggest any amendments to the order of recommendations _____

Question 1.5 Given the importance of partner country information it has been proposed to include the need for partner country information in the second, third and fourth recommendations, rather than having a stand alone fifth recommendation on "trade

Information about the SNA update and BPM5 revision is available at <http://unstats.un.org/unsd/nationalaccount/snarev1.asp> and www.imf.org/external/np/sta/bop/bopman5.htm

QUESTIONNAIRE CAN BE FOUND AT <http://unstats.un.org/unsd/tradeserv/msits.htm>

in services by partner country”.
 Do you agree? Yes or No _____

Question 1.6 Do you have any other comments or suggestions regarding Chapter 1? _____

transactions and other indicators by mode of supply may be built up.

Question 2.1 Do you agree with the list of issues for chapter 2? Yes or No? _____

Issues and questions for Chapter 2

Chapter 2 discusses the information needs of GATS and trade negotiations on international trade in services, describes relevant aspects of standard statistical systems and classifications related to trade in services, and outlines the recommended statistical response to the trade policy needs. The chapter will need some clarification based on this structure.

Question 2.2 While the statistical treatment of modes of supply will be introduced in chapter 2 in order to explain the approach of the MSITS, it has been suggested that it could be clearer for compilers to remove a more in-depth discussion, of the statistical approach to measuring modes of supply, after the treatment of the conceptual frameworks in Chapters 3 and 4. Do you agree? Yes or No? _____ Comments _____

- Although the work of the UN Technical Subgroup on the Movement of Persons – mode 4 * (TSG MP) is not complete, it is already clear that there will be a need for clarification of the description of mode 4. The scope of framework to measure supply of services through mode 4 will be set out, linking it to a wider view of movement of persons but clearly distinguishing it from that wider view.

Question 2.3 Do you have any other comments or suggestions regarding Chapter 2? _____

Issues and questions for Chapter 3

Chapter 3 sets out trade in services between residents and non-residents of an economy in the framework of the balance of payments. The Extended Balance of Payments Services Classification (EBOPS) will remain an elaboration of the IMF Balance of Payments Services (BOPS) classification. Thus expected changes to BOPS on e.g. goods for processing, merchanting, telecommunication and information technology services, post and courier services, FISIM, insurance, royalties, travel would also be reflected in EBOPS.

- Trade analysts’ interest also suggests the need to review the statistical treatment of modes of supply. The Chapter will explain that there is no one-to-one relationship between sales and modes of supply of a service. A single service contract may involve a combination of modes of supply. The Chapter will outline suggestions as to how an approximate picture of the value of

It will be necessary to review the definition of types of service in

* The Technical Subgroup has been working on a framework to improve the measurement of movement of people, remittances and mode 4 supply of services.

THE MANUAL ON SITS IS AVAILABLE AT <http://unstats.un.org/unsd/tradeserv/manual.htm>

The views of your organisation are invited by 31 July 2006. Please send your comments to std.servstat@oecd.org

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EBOPS for updating and clarification. The *data collection* section will need to be reviewed and updated, but will not be significantly expanded, as the intention is that detailed compilation guidance will in due course be provided separately from MSITS.

There is also a need to review the detail and grouping of EBOPS and its memorandum items. There may be little used or outdated EBOPS items that could be aggregated with other items, dropped, or new and growing services, that should be separately identified and/or discussed. The level of detail in EBOPS could also be extended on an optional basis to show what could be reported if a country so wished.

Question 3.1 Are there any EBOPS items that could be grouped together at a higher level? Please specify _____

Question 3.2 Are there services that are not currently separately identified in EBOPS, which should be separately identified in EBOPS? Please specify _____

Indicate whether they should be included as i) as part of the core classification or ii) as supplementary or optional items not part of the core classification _____

Question 3.3 Are there services identified in EBOPS that should be discussed in more detail? Please specify _____

Question 3.4 The EBOPS link to the Central Product Classification is only partial, in particular because some items are defined by the transactor and not the product transacted. Would you like to see further efforts to strengthen and clarify the EBOPS–

CPC link? Yes or No? _____
 Suggestions as to how this could be achieved are invited _____

Question 3.5 EBOPS covers services. Should it be extended in order to cover certain traded products that CPC version 2 classifies with services, but are not clearly goods or services such as downloads from Internet of computer software, or music, or other online content. Yes or No? _____
 Any other suggestions? _____

Question 3.6a Currently only a minority of manufacturing processing services fees are included in trade in services, such as those processed goods being on-sold in the processing economy or to a third country. These processing services are included under “agricultural, mining and on-site processing services”. With the expansion of the trade-in-services item’s scope to include all fees for processing of goods in the revised BPM5, should ‘processing of goods’ be prominent and separately identified in EBOPS? Yes or No? _____

Question 3.6b Should ‘processing of goods’ be included as the first item in trade in services? Yes or No? _____

Question 3.6c Alternatively should ‘processing of goods’ be classified as a subcomponent of ‘other business services’. Yes or No? _____
 Any other suggestions? _____

Question 3.7 “Audiovisual transactions” was presented in MSITS as an alternate aggregation. Should this be retained? Yes or No? _____
 Comments? _____

Question 3.8 Should there be any other alternate aggregations (for example - for transport, travel, or

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software)? Yes or No? _____
 Comments and suggestions are welcome _____

Question 3.9 Do you have any other comments or suggestions regarding Chapter 3? _____

Issues and questions for Chapter 4

Chapter 4 sets out a framework for measuring the supply of services through commercial presence. It will be necessary to review material from the recently published OECD Handbook of Economic Globalisation Indicators (HEGI) and the revised Benchmark Definition of Foreign Direct Investment for issues concerning Foreign Affiliates Trade in Services, and the determinants of foreign ownership or control of firms.

Changes to ISIC and EBOPS will require a review of the ISIC Categories for Foreign Affiliates (ICFA). It will be necessary to:

- i) consider adding a discussion of the treatment of parent companies.
- ii) review the discussion of criteria for determining control in a chain of ownership. Discuss the concept of indirect control.
- iii) review the need to include more discussion of problems that have been identified by practitioners using FATS statistics such as aggregation of national data, joint ventures and multiple minority ownership.
- iv) consider the impact of other issues such as the fully consolidated system for measuring FDI.

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. _____

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? _____

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? _____

Trade negotiations focus on services products. FATS statistics are relatively new and are mainly collected by activity.

Question 4.4 Does the text in paragraphs 4.39 to 4.54 concerning activities and products clearly describe the theoretical needs as well

QUESTIONNAIRE CAN BE FOUND AT
<http://unstats.un.org/unsd/tradeserv/msits.htm>

Further information on the work of the Interagency Task Force on Statistics of International Trade in Services can be found at <http://unstats.un.org/unsd/tradeserv/taskforce.htm> and the Task Force can be contacted at std.servstat@oecd.org



as the practical constraints of data collection. Yes or No? _____
 Comments _____

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 _____*

Question 4.6 *Do you have any other comments or suggestions regarding Chapter 4? _____*

Issues and questions related to MSITS Annexes

Mode 4 Annex/Chapter

The planned mode 4 chapter is expected to follow the recommendations of the TSG MP to develop a measurement framework.

It will clarify the scope and definition of mode 4; address the provision of measures in terms of values and non monetary indicators - such as the number of foreign natural persons present in the country or flows of these (arrivals /departures).

Concordance annexes

The concordance annexes will all need to be updated.

Annex on TSA

This will be updated according to the revision of the Tourism Satellite Account: Recommended Methodological Framework and may include summary suggestions on data collection methods that can be useful both for tourism statistics and trade in services.

Possible new annexes for MSITS

I Improving the analytic potential of trade in services data

The purposes of producing data on trade in services include informing trade policy and facilitating economic and trade analyses. Suggested topics could include a selection from: i) addressing linkages between services trade and production data; ii) in order to provide a fuller picture of trade in services, combining balance of payments data, foreign affiliates trade data, and mode 4 data for analysis; iii) how to link trade in services data with merchandise trade statistics showing overlaps and gaps; iv) bilateral asymmetries in trade in services data applying the data to models of world trade flows; v) analysis on a sectoral basis of trade in particular services – such as health services; vi) identification of services for which a country has a comparative advantage in trade.

Question A.1 *Do you agree that a new annex should be added on analytical issues? Yes or No? _____*

Question A.2 *Please identify in order of importance the suggestions which you think should be included in such an annex from i), ii), iii), iv), v) and vi) above or add your own suggestions*

II Service export and import prices

Question A.3 *Would it be useful to include an annex on measuring service export and import prices referring to the IMF work on this subject, if that becomes available in time ? Yes or No? _____ Comments _____*

General Questions

Question G.1 *While the MSITS mainly deals with conceptual standards, it is suggested that the updated MSITS*

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should systematically discuss the need for metadata - i.e. information about the data produced by compilers and the methods they have used in order to make them more understandable and facilitate international comparisons. Examples would be given of issues that metadata should cover. Compilers would be encouraged to note explicitly cases where international standards have not been followed. Do you agree with such an addition? Yes or No? __ Comments _____

Question G.2 Having gone through the consultation document and questionnaire do you have any further issues, comments or suggestions regarding the update of MSITS? _____ . ■

BRIEFLY...

Definitions of remittances

The United Nations Technical Subgroup on the Movement of Natural Persons (TSG) at its meeting in New York (22-24 February 2006) agreed on the conceptual definitions on remittances. The proposed definitions are derived as different aggregations of proposed standard and suggested supplementary components in the revised Balance of Payments Manual (BPM), which is currently being drafted.

The group agreed on the four definitions of remittances, in terms of (i) *personal transfers*, (ii) *personal remittances*, (iii) *total remittances* and (iv) *total remittances and transfers to non-profit institutions serving households (NPISHs)*. The proposed new

standard component *personal transfers* of the revised BPM is fully aligned with the concept of the current transfers between households in the 1993 SNA.

The definitions of remittances are presented in the outcome paper posted on the TSG website <http://unstats.un.org/unsd/tradeserv/TSG3-Feb06/tsg0602-outcome.pdf>. The paper has been submitted to Balance of Payments Committee (BOPCOM) for consideration and subsequently will be submitted to the Advisory Expert Group on National Accounts (AEG). For further information, the reader is referred to the website of the TSG: <http://unstats.un.org/unsd/tradeserv/meetings-m4.asp>. ■

PAST EVENTS

Twenty-second Meeting of the Interagency TFSITS


The TFSITS held its twenty-second meeting at United Nations headquarters in New York on 21-22 February 2006.

The TFSITS discussed trade in services related issues in the context of the revision of the IMF Balance of Payments Manual.

UNSD informed the TFSITS that the

structure of the Central Product Classification (CPC) version 2 had been completed and approved by the UNSC in March 2006. The editorial process of explanatory notes will continue until August 2006.

Another major discussion related to the update of the Manual on Statistics of International Trade in Services (see



The definitions of remittances are available at

<http://unstats.un.org/unsd/tradeserv/TSG3-Feb06/tsg0602-outcome.pdf>



FOR MORE INFORMATION VISIT THE TFSITS WEBSITE

<http://unstats.un.org/unsd/tradeserv/taskforce.htm>

Minutes are available at
<http://unstats.un.org/unsd/tradeserv/subgroup.asp>

pages 1 and 2 for further information). Members of the TFSITS informed the group about knowledge transfer and technical cooperation in the field of

trade in services statistics, and reported the progress made in the collection, dissemination and quality of international trade in services statistics. ■

Third meeting of the Technical Subgroup on the Movement of Persons-Mode 4

The meeting was hosted by the UNSD in New York on 22-24 February 2006. The meeting agreed on the definition of remittances and participants shared their experiences on international activities and national practices with respect to the measurement of

remittances. Participants discussed the framework for measuring GATS mode 4 and identified a way forward to bring the discussion to a conclusion.

Finally, the future of the Technical Subgroup was discussed. ■

National seminar on SITS

As reported by the World Trade Organization (WTO), a national seminar on Statistics of International Trade in Services (SITS) was held on May 16-17 2006 in Taiwan, Province of China, following a request of the Bureau of Foreign Trade, Ministry of Economic Affairs.

It was the first national seminar requested by a WTO Member in the framework of WTO's technical assistance programme. It aimed at familiarizing participants with SITS, the concepts and definitions of the SITS and links with the GATS. ■

UPCOMING EVENTS

Fifth Andean Governmental Expert Meeting on International TIS

The Fifth Andean Government Expert Meeting on International Trade in Services will be held in Lima on 10-12 July 2006. This event is part of the

EU-Andean Community on Trade related Technical Assistance Cooperation Project. ■

OECD-Eurostat Meeting of Experts in TIS Statistics

The OECD-Eurostat Meeting of Experts in Trade-in-services Statistics will take place from 12-14 September

2006 at OECD Tour Europe in La Defense, Paris. ■

Twenty-third Meeting of the Interagency TFSITS

The next Task Force meeting on Statistics of International Trade in Services (TFSITS) is planned on 15

September 2006, at OECD headquarters in Paris. ■

PUBLICATIONS

OECD Statistics on International Trade in Services

Volume II - Detailed Tables by Partner Country, 2000-2003, 2005 Edition (Complete Edition - ISBN 9264013849)

This OECD publication provides statistics on international trade in services by partner country for 27

OECD countries plus EU 15, Euro Area, European Union Institutions and Hong Kong, China as well as defini-



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Document available at
<http://www.oecd.org/dataoecd/62/5/36931498.pdf>

tions and methodological notes. The data concern trade between residents and non-residents of countries and are reported within the framework of the Manual on Statistics of International Trade in Services.

This book includes summary tables of trade patterns listing the main trading partners for each country and by broad service category. Series are shown in US dollars and cover the period 2000-2003. ■

Methodological Soundness Questionnaire

Report on Responses to the Eurostat-OECD Questionnaire of the Measurement of Trade in Services in the Balance of Payments

This publication is the result a joint effort between the Statistical Office of the European Communities (Eurostat) and the Organization for Economic Co-operation and Development (OECD). It provides a unique source of information for comparative analysis on national methodologies used in measuring the increasingly important area of trade in services.

The information is based on the results of the Methodological Soundness Questionnaire launched in 2003

amongst 36 countries (EU and OECD member states) in various parts of the world. The design of this questionnaire was based on the structure and recommendations of the International Monetary Fund's Balance of payments Manual (fifth edition) and of the Manual on Statistics of International Trade in Services. The results provide useful insights into some of the methodological problems countries face and how they deal with these. ■

EDITORIAL NOTE

The Newsletter of the Interagency Task Force on Statistics of International Trade in Services (TFSITS) is a joint publication of the members of the task force: the United Nations Statistics Division (UNSD), the Statistical Office of the European Communities (Eurostat), the International Monetary Fund (IMF), the Organization for Economic Co-operation and Development (OECD), the United Nations Conference on Trade and Development (UNCTAD), the World Trade Organization (WTO) and the World Tourism Organization (UNWTO) - the Task Force is chaired by OECD. The Newsletter is prepared twice a year by the International Trade Statistics Section of the United Nations Statistics Division - Department of Economic and Social Affairs. This Newsletter does not necessarily express the official position of any of the members nor is it an official document of the United Nations.

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