

INTRODUCTION OF THE FIRST NEWSLETTER OF THE INTERAGENCY TASK FORCE ON STATISTICS OF INTERNATIONAL TRADE IN SERVICES (TFSITS) (OECD/ UNSD)

Dear Reader, the need to improve the measurement of international trade in services in order to understand the impact of services trade on the performance of national economies and to inform international trade negotiations continues to increase.

The need to improve the measurement of international trade in services

International sourcing of services, offshoring, tourism, delivery of services through commercial presence, the level of access to markets, infrastructure services, the rapid transformation of telecommunications and information services all arouse a high level of interest from policy analysts and policy makers. The demand for technical guidance and knowledge sharing from statistical compilers around the world is correspondingly increasing. This demand was reinforced by the WTO Hong Kong Ministerial Declaration in December 2005. It is to begin to address these needs that this first web Newsletter of the Interagency Task Force on Statistics of International Trade in Services (TFSITS for short) is published.

The TFSITS was created in 1994 by the United Nations Statistical Commission (UNSC) to deal with various issues relevant to compilation of this kind of statistics. The TFSITS is convened by the Organization for Economic Cooperation and Development (OECD), and consists (besides OECD) of the Statistical Office of the European Communities (Eurostat), the International Monetary

Fund (IMF), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Statistics Division (UNSD), the World Tourism Organization (UNWTO) and the World Trade Organization (WTO). Until 2002, the work of TFSITS focused on the development of the Manual on Statistics of International Trade in Services (MSITS), which was approved by the UNSC in March 2002 and sets out a statistical framework for the collection

Past and future work of the TFSITS

and dissemination of statistics on international trade in services. In recent years the work of TFSITS concentrates on the implementation of the Manual, development of compilation guidance and further revision of the MSITS.

This Newsletter will keep you informed about the work of the TFSITS. Its aim is twofold i) to raise awareness of international developments in this important area; and ii) to expand and strengthen the network of statistical compilers and analysts of international trade in services and facilitate communications. This newsletter makes no attempt to cover all issues in detail. Instead of being a comprehensive record of the TFSITS activities, this newsletter will try to combine reporting on major events with description of conceptual issues under discussion as well as with some interesting trade facts. The newsletter will be published twice a year. Your comments, suggestions, questions and

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The Manual on Statistics of International Trade in Services is available for download in various languages at <http://unstats.un.org/unsd/tradeserv/manual.htm>

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submissions for articles are invited for future editions. You can contact us at tradestat@un.org or std.servstat@oecd.org. We are hoping to hear from you soon.

UPDATE OF THE MANUAL ON STATISTICS OF INTERNATIONAL TRADE IN SERVICES (WILLIAM CAVE, OECD)

The Manual on Statistics of International Trade in Services (MSITS) was jointly published at the end of 2002 by six international agencies, the United Nations (UN), the European Commission (EC), the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization (WTO). It is regarded as a major step forward in the measurement of services trade. The MSITS was constructed with some elaboration on two basic frameworks: i) for services trade between residents and non-residents - the IMF Balance of Payments Manual Fifth Edition (BPM5); ii) for foreign affiliates trade in services – preparatory work for the OECD Handbook of Economic Globalisation Indicators (HEGI), which was published in 2005.

Following the current updating of the System of National Accounts (1993 SNA), the Balance of Payments Manual, the activity and product classifications ISIC and CPC, together with a proposal to develop a chapter on Mode 4 (natural persons supplying services), it will be necessary to update the Manual on Statistics of International Trade in Services (MSITS) in order to maintain its usefulness and relevance for countries. The Interagency Task Force on Statistics of International Trade in Services (TFSITS) plans to produce an updated MSITS by end of 2008 for approval by UN Statistical Commission (UNSC) in 2009 (see Box 1 for the provisional timetable). Apart from the above mentioned revisions, and because of the relative newness of the MSITS, the planned revision or update will be limited in scope, without precluding possi-

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Box 1: Provisional Timetable:

Inputs:

First half of 2006: Worldwide consultation including questionnaire regarding i) revised EBOPS and ii) issues to be included in scope of MSITS revision.

February 2006: SNA update - methodological decisions finalised.

March 2006: Revised ISIC and CPC Final.

End 2006: Revised BPM5 - first full draft.

End 2008: Revised BPM5 - final draft, on IMF website, subject only to editing.

Production:

Second half 2006: TF to review issues for revised MSITS and draft (annotated) outline of revised MSITS including EBOPS. Draft Chapter on Mode 4

February to June 2007: Consultations on revised EBOPS and outline of revised MSITS.

July 2007 – March 2008: TF to review comments; draft revised MSITS; revise concordances.

April - July 2008: Worldwide consultation on draft revised MSITS.

September – December 2008: TF to review comments and draft final submission to UNSC 2009.

Publication:

April – December 2009: Production of publication.

2010: Publication of updated MSITS.

Hint: to access any website mentioned, just click on it.

Visit the website of the Technical Sub-group on the movement of persons - Mode 4 at <http://unstats.un.org/unsd/tradeserv/subgroup.asp>

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ble improvements.

The updating process will begin in the first half of 2006 with a worldwide consultation via a questionnaire on issues for the updating, including a review of the Extended Balance of Payments Services Classification (EBOPS). Information on the update will be available on the UNSD Trade-in-services web-pages.

TECHNICAL SUB-GROUP ON THE MOVEMENT OF PERSONS – MODE 4 (ALESSANDRA ALFIERI AND IVO HAVINGA, UNSD)

The Technical Subgroup on the Movement of Persons – Mode 4 (TSG) was established by the Statistical Commission at its thirty-fifth session in 2004. Although the initial mandate of the TSG focused exclusively on Mode 4, it has progressively evolved to cover more broadly the economic impact of the movement of persons. The TSG focuses on (a) developing a new definition of remittances within the balance of payments (BOP) (see below for details on the TSG recommendations) and (b) developing a framework for measuring the economic impacts of movement of persons and, in particular of Mode 4 for inclusion in the update of the Manual of Statistics on International Trade in Services.

The TSG consists of national accountants, balance of payments and international trade specialists, migration and labour statisticians, and other relevant experts from international organizations, national statistical offices or central banks. The United Nations Statistics Division (UNSD) holds the Chair and the Secretariat of the TSG. The TSG reports to the TFSITS and de facto to the Advisory Expert Group on National Accounts (AEG) and the IMF Committee on Balance of Payments Statistics (BOPCOM). Its work is undertaken within the context of the accounting principles of the *1993 System of National Accounts* (1993 SNA) and its update, the *Balance of Payments Manual Fifth Edition* (BPM5) and its revision, the *Manual of Statistics on International Trade in Services* (MSITS) and

its update as well as international statistical recommendations on labour and migration statistics.

The TSG website contains the agenda, the minutes and all the documents discussed at the TSG meetings as well all the documents submitted to the AEG and BOPCOM. It is hosted on the UNSD website and its address is: <http://unstats.un.org/unsd/tradeserv/subgroup.asp>.

Outcomes of the TSG

The TSG discussed extensively conceptual definitions of remittances. These have further been discussed by BOPCOM and the AEG (<http://unstats.un.org/unsd/tradeserv/relDocs.asp>). There remain some minor differences between BOPCOM and the AEG. The TSG, at its next meeting, will discuss how to reconcile the differences between the two groups and submit its recommendations to BOPCOM and the AEG for final decision.

The TSG is hoping to reach an agreement on the framework for measuring the economic impact of the movement of persons and trade in Mode 4. The framework proposed is firmly grounded in the 1993 System of National Accounts and its update and the Balance of Payments Manual and its revision. It will discuss at its next meeting a set of variables to measure the movement of persons in relation to Mode 4 as well as the economic impact of the movement of persons in a broader sense.

The World Tourism Organization (UNWTO), a specialized agency of the United Nations, is the leading international organization in the field of tourism. It serves as a global forum for tourism policy issues and practical source of tourism know-how.

Visit the World
Tourism
Organization at
<http://www.world-tourism.org/>

REVISION OF THE TOURISM SATELITTE ACCOUNTS (TSA) (ANTONIO MASSIEU, UNWTO)

A new Inter-agency Coordination Group (IACG) on Tourism Statistics was created in 2004. Priority was given to the preparation of proposals for the update and revision of current international standards on tourism statistics: most of them referred to closing conceptual gaps between TSA / SNA93 / BPM5. It has been agreed that the UN Statistical Commission will have for approval all three revised texts at its 39th session in March 2008.

In the last four years UNWTO has been conducting a research program on border surveys and non-resident visitors expenditure. The results have been very instructive and useful for understanding the present weaknesses of data regarding to tourism as an international traded service as well as regarding the significant conceptual gaps between the three frameworks; these results have also been used as a supportive argument in the present revision process.

All along the second half of 2004, UNWTO prepared the corresponding issue papers for required coordination between participants in the IACG (the United Nations Statistics Division (UNSD), the International Monetary Fund (IMF), the Statistical Office of the European Communities (Eurostat), the Organization for Economic Cooperation and Development (OECD), the International Labour Organization (ILO), the World Trade Organization (WTO) and the World Tourism Organization (UNWTO); after the contributions were received in the meeting of the Technical Subgroup (TSG) of the IACG in February 2005,

agreements were presented to BOP-COM and AEG meetings. Most of them were editorial amendments and clarification issues (partly due to the fact that the TSA standard was published some years after the SNA93 and BPM5 texts), but others were considered either as potential changes or analytical issues:

- net valuation of the activity of travel agencies and tour operator services;
- definition of traveller and visitor;
- treatment of diplomats and their dependants;
- identifying tourism related consumption in both "travel" and "passenger transportation carriage" items.

There is just one important issue still pending: the business / personal breakdown of the travel item. The meeting of the TSG of the IACG was very explicit on the fact that "Any potential breakdown of the 'travel' item should focus on the product dimension. The present split according to the purpose of the visit (business/personal) responds neither to any request from the national accountants, nor from tourism statisticians and [its usefulness] should be reconsidered" (see document BOPCOM-05/15 at the Eighteenth Meeting of the IMF Committee on Balance of Payments Statistics - <http://www.imf.org/external/pubs/ft/bop/2005/05-15.pdf>)

Once the revision process is over, UNWTO will start developing compilation guidance on the "travel" item in BPM6 as agreed in the TFSITS.

REVIEW OF THE 1993 SYSTEM OF NATIONAL ACCOUNTS (SNA) AND THE FIFTH EDITION OF THE BALANCE OF PAYMENTS MANUAL (BPM5) (UNSD/ IMF)

The update of the 1993 System of National Accounts (SNA) and the revision of the Balance of Payments Manual – Fifth Edition (BPM5) are currently underway; both updated manuals are planned to be published in 2008. More information on the SNA update and the BPM5 revision may be found at the UNSD and IMF websites at <http://unstats.un.org/unsd/nationalaccount/snarev1.asp> and <http://www.imf.org/external/np/sta/bop/bopman5.htm>. These also contain the discussion and outcome papers and recommendations on the various issues.

The responsibility of overseeing and managing the update of the 1993 SNA

has been entrusted by the Statistical Commission at its meeting in March 2003 to the Inter-secretariat Working Group on National Accounts (ISWGNA).

Management of the revision process

The ISWGNA is assisted by the Advisory Expert Group on National Accounts (AEG). The revision of BPM5 is the responsibility of the IMF assisted by the IMF Committee on Balance of Payments Statistics (BOPCOM) and several technical expert groups which report and/or provide input to BOPCOM. Among these groups are the Interagency Task Force

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

Box 3: Future work program for updating the fifth edition of the IMF's Balance of Payments Manual (BPM5), and the 1993 SNA

	BPM	SNA
January-February 2006		Fourth AEG meeting to discuss the remaining issues for change and clarification.
October 2006	BOPCOM Annual Meeting reviews draft chapters.	
December 2006	Post first set of draft chapters for countries to review.	
Early 2007		AEG meeting to review draft text of the core new SNA.
March 2007		UN Statistical Commission approval of recommendations
May 2007		Draft sent to countries for comments on consistency and readability.
October 2007	BOPCOM Annual Meeting to consider first complete draft of new manual.	ISWGNA approval of final draft.
Late 2007		AEG meeting to review draft text of the new SNA
December 2007	Complete revised draft circulated to countries for review. (Also on IMF website.)	
February – June 2008	Regional Seminars	
March 2008		UN Statistical Commission approval of final draft.
July 2008	Near final draft posted on IMF website.	
October 2008	BOPCOM Annual Meeting for approval of final draft.	

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on Statistics of International Trade in Services (TFSITS) and the Technical Sub-group on the Movement of Persons – Mode 4.

The update of the 1993 SNA and the revision of the BPM5 as well as the revision of the Government Financial Statistics (GFS) Manual are fully coordinated. The time schedules as well as the list of issues being considered by the two processes are fully consistent. Special attention has been given to the transparency and broad involvement of country experts in the update of the 1993 SNA and the revision of the BPM5.

The AEG meeting in January-February 2006 will conclude the process of formulating methodological recommendations. There may be further discussion after this time on clarifications that arise from the drafting process and on the internal consistency of the recom-

mendations. Box 3 on the previous page describes the future work program.

Implications for Statistics on Trade in Services

As a result of the update of the 1993 SNA and revision of the BPM5 other manuals will also have to undergo a revision. Manuals related to statistics on international trade in services include the Manual on Statistics of International Trade in Services (MSITS), the OECD Benchmark Definition of Foreign Direct Investment, and the Tourism Satellite Accounts.

The treatment of a number of balance of payments services items has been under discussion by, amongst others, the TFSITS, the IMF Committee on Balance of Payments Statistics (the Committee), and the Advisory Expert Group on National Accounts (AEG). In most cases, decisions have now been made on the methodology recommended for adoption (see Box 4).

Box 4: Discussions and recommendations by the expert groups related to international trade in services:

- The *provision of technical assistance* is to be treated as a supply of services by the donor to the recipient, funded by a current transfer. Valuation and classification will be clarified.
- The treatment of *goods sent abroad for processing* should be consistent across all cases; the ownership principle should be adopted and change of ownership should never be imputed. The processing fee is included in *other business services*; the more detailed classification of this item is still under review. It will be recommended to supply additional data on materials and finished goods flows.
- A working group has been formed to explore further the appropriate treatment(s) of *merchandising*. This group will take proposals for final decision to the next AEG meeting, which will be held in January-February 2006.
- *Repairs on goods* will be classified as services rather than as goods (as it is presently).
- The present categories of *communications services* and *computer services and information services* (except *postal and courier services*) will be combined as information technology services. A supplementary breakdown of this item will be encouraged.
- *Postal and courier services* are to be included in transport services.
- Within *construction services*, construction abroad will be identified separately from construction services within the compiling economy.
- A number of recommendations have been made regarding the estimation of nonlife *insurance services*.
 - (i.) The recommended formula has been changed to use adjusted claims and (optionally) premium supplements, and to exclude own funds.
 - (ii.) There are also recommendations to treat commissions and rebates as negative premiums; profit sharing and bonuses as other income transfers; and payments resulting from exceptional claims as capital transfers.
 - (iii.) Reinsurance services will be treated similarly to all other nonlife insurance services. Further work is being undertaken within the update of the 1993 SNA.
 - (iv.) Insurance claims (except for life insurance) should be treated as current transfers except in the case of exceptional claims, which should be classified as capital transfers.
 - (v.) Supporting supplementary data presentation for insurance and reinsurance will be encouraged.

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- Financial intermediation services indirectly measured (FISIM) will be included within the scope of *financial services*. The coverage and valuation of financial services is being further addressed by the Task Force on Financial Services.
- Fees associated with securities lending and reversible gold transactions will be classified as property income.
- The classification and content of *royalties and license fees*, including regular payments for the use of software have been clarified. Annual license fees for the use of produced assets, including software, are included in royalties and license fees. Copies of produced originals acquired with a license to reproduce are also included in services if the license has the characteristics of an operating lease.
- A residual category for *services between related enterprises* is to be avoided.
- A number of decisions have been taken regarding *travel services*, partly to assist with linking the balance of payments concepts more closely to those of the Tourism Satellite Account. Most are clarifications of the existing travel services item.
 - (i.) Expenditure by military personnel and civil servants employed in government enclaves should continue to be classified to the relevant goods and nontravel services, and failing specific information, to government services nie.
 - (ii.) The services of travel agencies and tour operators should be valued the same as other services provided on a commission basis. These need not be identified separately within travel.
 - (iii.) The current split into business and personal travel will be retained.
 - (iv.) A supplementary presentation combining travel services and passenger transportation will be recommended.
 - (v.) Further supplementary detail on travel services will be encouraged.
- A number of clarifications, such as the nature of technology and audiovisual services, will be considered within the complete review of the 1993 SNA. These will also be taken into account in the reviews of the various product classifications, including the Central Product Classification (CPC), the Harmonized System, and the Standard International Trade Classification.
- The correspondence table between the CPC and the Extended Balance of Payments Services (EBOPS) classification will be revised in line with revisions and clarifications arising from the reviews of BPM5 and the CPC.

PAST EVENTS: TWENTY-FIRST MEETING OF THE INTERAGENCY TASK FORCE ON STATISTICS OF INTERNATIONAL TRADE IN SERVICES (TFSITS)

The TFSITS held its twenty-first meeting at OECD Tour Europe in Paris on 16 September 2005. The TFSITS discussed the status of the update of the SNA and BPM5, in particular concerning the issues relevant for statistics on international trade in services such as Goods for Processing and Merchant-

ing. Another major topic was the related update of the Manual on Statistics of International Trade in Services (MSITS) which will include a revision of the trade in services classification. The minutes of this and the previous TFSITS meeting can be found at <http://unstats.un.org/unsd/tradeserv/meetings-tf.htm>.

UPCOMING EVENTS: TWENTY-SECOND MEETING OF THE INTERAGENCY TASK FORCE ON STATISTICS OF INTERNATIONAL TRADE IN SERVICES (TFSITS)

The next, twenty-second, meeting of the TFSITS will be held on 21-22 February 2006 at the United Nations Headquarters in New York. The meeting will consider a number of issues focusing on possible amendments to the MSITS in view of the forthcoming revisions of the

BPM5 and 1993 SNA including changes in scope of SITS and EBOPS classification. A draft consultation document, which is to be sent to countries in connection with the preparatory work on the revised MSITS, will be discussed as well.

The minutes and documents of this and the previous TFSITS meeting can be found at <http://unstats.un.org/unsd/tradeserv/meetings-tf.htm>

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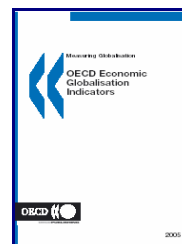
[OECD Handbook on Economic Globalisation Indicators: \(Complete Edition - ISBN 9264108084\) Published 2005, pp. 1 - 230](#); This manual provides guidance on



how to measure and interpret measurements of globalisation's extent and intensity. The manual defines concepts and puts forward guidelines for data collection and fine-tuning of globalisation indicators. In particular, it looks at indicators related to foreign direct investment, the economic activities of multinational enterprises, the internationalisation of technology, and trade globalisation. The publication can be obtained at www.SourceOECD.org.

[OECD Economic Globalisation Indicators: \(Complete Edition - ISBN 9264012389\) Published 2005, pp. 1 – 202](#); With over 250 graphs, Indicators of Economic Globalisation helps identify the economic activities of member countries

that are under foreign control, and more particularly the contribution of multinational enterprises to growth, employment, productivity, labour compensation, research and development, technology diffusion and international trade. In so doing, it gauges the intensity and magnitude of the globalisation process, and sheds new light on financial, technological and trade interdependencies within OECD countries. This book includes Statlinks, URLs under the tables and graphs that link to spreadsheet files showing the underlying data. The book contains four parts: Part I. International Transactions of OECD Countries, Part II. The Economic Activity of Multinationals, Part III. The Internationalisation of Technology and Part IV. Aspects of Trade Globalisation. The publication can be obtained at www.SourceOECD.org.



EDITORIAL NOTE

The Newsletter of the Interagency Task Force on Statistics of International Trade in Services (TFSITS) is a joint publication of the member 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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