

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



13-14 September 2004
OECD, PARIS

1. Mr Lindner (AL) OECD opened the meeting by welcoming the Task Force (TF) Members. He emphasised the importance for trade statistics of the discussions on revision of the IMF's Fifth edition of the Balance of Payments Manual (BPM5). He put this in the context of the OECD's long standing work in this area and good interagency cooperation. The revision of BPM5 also raised the question of the need to update other frameworks such as the Manual on Statistics of International Trade in Services. He passed the chair to Mr Cave (BC) OECD.

Item 1. Adoption of the Agenda

2. The agenda was agreed and is attached at Annex 2.

Item 2. Approval of the minutes of the meeting of the Task Force held in 30 April 2004.

3. The report of the previous meeting was approved.

Item 3. Revision of the Balance of Payments Manual

3a) Review of Annotated Outline of Revised BPM5 and relevant BOPTTEG papers

4. Mr Patterson (NP) IMF gave an overview of the BPM5 revision process and progress to date. The TF reviewed those issues raised in the Annotated Outline of a revised Balance of Payments Manual (AO) impacting on measurement of international trade in services, together with corresponding BOPTTEG¹ issues and outcome papers.

(Table 9.1 and para 9.6-9.7) Separate Trade in Goods and Trade in Services Accounts -

5. There was a consensus among the TF to separate goods and services in the balance of payments current accounts. It noted a drafting problem with the sentence in paragraph 9.7 p.121, that suggested 'trade between related parties' was equivalent to 'foreign affiliates trade statistics', when it was not quite the same thing.

Non-monetary Gold

6. It was concluded that the treatment of non-monetary gold had much wider implications than trade, that it was being discussed in other expert groups, and that for now the TF should leave the issue open.

(Table 9.2) Reconciliation of Merchandise Trade data with Balance of Payments Trade in Goods Data

¹ Balance of Payments Technical Expert Group

7. **There was consensus in the TF about the need to clarify and reconcile the relationship between merchandise trade data and trade in goods in the balance of payments.**

*(Para 9.15-9.16)BOPTTEG Outcome Paper 14b
Goods for Processing*

8. The TF noted the BOPTTEG Outcome paper recommendations, but considered that it was important to **further consider** SNA, input-output and merchandise trade needs on this subject. The services view was not sufficient. There were analytical arguments from merchandise trade perspectives and input-output for “Goods for processing”, because of its importance, to stay in the goods account, but conceptual arguments and practical data collection arguments in some countries for it to move to services.

Table 9.3 (Paras 9.31-9.60) Classification issues

Repairs

9. The TF concluded that:

- i) there is no major objection to “repairs on goods” being treated as services.
- ii) there should be a clarification of the distinction made between maintenance and repairs
- iii) there was a need for consistent terminology regarding repairs across different frameworks and classifications

(Para9.35) Transport

10. The TF concluded that no change should be made in the classification of passenger transportation. International passenger transport should remain with transport.

(Para 9.39 table 9.3)Travel

11. The TF noted a suggestion from UNSD to separately identify **fees** for education and health within the category "all other (travel) expenditures" as proposed in the alternative breakdown of the AO for travel services (page 131 AO). It also noted a more radical suggestion, which would involve moving from a transaction-based/mode of delivery of service based EBOPS classification to a product approach more in line with CPC, according to which, education and health fees should be reported under 10.2.

12. The TF approved the alternative breakdown of travel proposed in the AO, which would give extra momentum to the collection of this information.

(Para 9.43) Information technology services

13. The TF concluded that:

- i) there would be support for combining Communication and Computer and information services in the new “Information technology services” category, provided that post and courier services are excluded.
- ii) it was proposed to create a new item 1.4, under transportation (as part of freight) to record postal and courier services.
- ii) the proposed category 3.3 “internet provision services” was difficult to separate out and may be small, and it should be dropped.
- iii) there was some reservation about finalising the breakdown of Information technology services: this was an evolving area and the revision of the CPC would be an important factor in making final recommendations (if they have a resolution before 2006)
- iv) there was a need to clarify the description and treatment of software in the new BPM

(Para 9.49) Insurance

14. The TF concluded:

- i) by noting the recommendation on insurance from the SNA;
- ii) that there remained some issues on treatment of transfers in BOP (whether as capital or current);
- iii) that some potential problems were foreseen in the collection of the data, particularly for reinsurance;
- iv) on the need to monitor the US situation and anticipate the effect of methodology change on the level of insurance services reported. The TF had some concerns about the effect of that methodology change;
- v) that there was an issue regarding the accrual basis of the registration of insurance transactions because it was difficult to give proper timing to these;
- vi) by supporting the creation of an optional breakdown between direct insurance and reinsurance in the BOP classification.**

(Para 9.51) FISIM

15. **The TF noted the need for consistency with SNA but that genuine concerns remain about how to implement FISIM in the balance of payments.**

(Para 9.54) Royalties and License fees Terminology

16. The TF noted that it would be appropriate to wait for the Canberra II Group's recommendations on terminology.

(Para 9.59) Government services n.i.e.

17. **The TF concluded that:**

- i) there is an interest in knowing whether health and education are included in Government services and to the extent possible encouraging reporters to exclude these and include them under education and health categories;**
- ii) metadata on government services n.i.e. should be encouraged.

Chapter 4. Residency (BOPTeg Outcome paper 8)

18. The World Tourism Organization presented a discussion paper setting out the arguments for a stricter interpretation of the one-year rule to facilitate the identification of international tourism from balance of payments travel data.

19. On the one year rule and the concept of residency of households, the TF noted that:

- i) in determining the centre of economic interest for households, there were strong views in different directions: for a significant number of countries no change to the current exceptions to the one year rule is wished, particularly regarding foreign students; on the other hand this is seen by some other countries and organisations as an impediment to getting more consistency between balance of payments data with tourism statistics; exceptions complicate the equation;
- ii) for certain countries residency of migrant workers is an important issue;
- iii) extra guidance on these issues will come to the BOPCOM from individual countries' responses to the AO consultation.

3b) Progress on SNA update

20. Mr Havinga (IH) UNSD reported on progress of the revision of SNA drawing attention to the UNSD webpages, <http://unstats.un.org/unsd/sna1993/issues.asp> where more details on issues, progress and papers could be found.

3c) Timetable for revision of MSITS

21. BC presented a paper setting out a draft timetable for an update of MSITS. Following the revision of BPM5, the activity and product classifications ISIC and CPC, together with a planned chapter on Mode 4, it would be necessary to update the Manual on Statistics of International Trade in Services (MSITS). IMF would take responsibility for updating chapter 3. UNSD proposed that the planned publication might be advanced to 2009.

The TF agreed to produce a revised MSITS in 2008 for approval by UN Statistical Commission (UNSC) in 2009. The process will begin in late 2005 with a review of EBOPS and apart from the above mentioned driving factors, because of the relative newness of MSITS – first published in 2002. The planned revision or update will be limited in scope. Some further explanation and the timetable is attached at Annex 3.

Item 4. Trade-in-Services Manual implementation.

Item 4ai. Compilation guidance module: Revised draft on travel

22. Mr Massieu (AMas) WTO/OMT presented the revised draft of a module on travel compilation guidance in the balance of payments, which sought also to develop synergies with the collection of international tourism data. Ms Libreros (ML) explained some of the differences between the travel item in BOP and international tourism in the TSA. Travel includes consumption by travellers but also of other categories of people - for instance seasonal workers who are remunerated and are consequently outside the scope of tourism. The scope of tourism is actually visitors not remunerated from the place visited. Excursionists or “one day travellers” are also covered. It is difficult to distinguish visitors from travellers in practice and it would be useful to clarify the mapping of this relationship.

23. The discussion brought out a number of other points: WTO/OMT was congratulated for their work. The discussion paper was potentially useful in several respects for compilers. It was desirable that the content of BPM5, SNA and the TSA be clarified for points of difference regarding travel and tourism. There was the question of how to deal with the potential need for revision of BPM5. Within 12 months, IMF needed to know what the revised BPM5 conceptual framework will be. A basic question was “Do we at the level of BOP/EBOPS classification, want to change anything?” Once this was decided, the compilation guidance could follow. To what extent was an increase in detail requested in EBOPS, e.g. in passenger transportation, feasible? Extra detail would carry implementation and response burden costs in countries. The TF should also take into account that countries should have some freedom to choose the statistical domain they find the most important.

24. To what extent is it the role of balance of payments statistics to provide information for TSA, what is the process to go through and can this be finalized? Although it was pointed out that this could be a two way process and work on TSA work could help meet BOP needs. It was desirable to minimise the differences in the notion of residence between the BOP and TSA frameworks.

25. Mrs Harrison OECD (AH) offered to work with ML to construct some bridge tables between the SNA/BPM5 and the TSA that would clarify the links between the different frameworks. The question of revision of the TSA was raised. It would be useful to see how TSA deviates from the other frameworks. IH referred to the creation of a working group on Tourism established by the Statistical Commission, the

Chair being held by the WTO/OMT, members are WTO/OMC, Eurostat, and UNSD. This group had not yet agreed the nature, scope and time frame for a revision.

The TF welcomed the proposal of WTO/OMT (ML) and AH to identify conceptual differences regarding tourism related issues in SNA93 / BPM5 and TSA in a bridge table exercise, which would be an agenda item for its next meeting. The TF would need to verify the tables and consider how to take this forward into the revision process of BOP and TSA in particular.

In the light of the revision of BPM5 and the consequent uncertainty over future recommendations affecting the travel item, the TF agreed to defer discussions on compilation guidance until the recommendations were decided.

Item 4a.ii. FATS issues and analysis paper

26. Mr Maurer (AMau) WTO/OMC gave a presentation of FATS issues and data needs from a WTO/OMC perspective. Mr Vacher (JFV) Eurostat informed the TF about a proposed EU Regulation that would make inward FATS data collection mandatory. In terms of GATS needs, it would be reasonable to concentrate on inward FATS first.

27. It was suggested that compilation guidance was aimed at countries wishing to collect data, addressing where to start, and how to benefit from other countries experience. It could include training exercises and should be useful to a wide range of countries in different regions and different stages of development. Mr Hatzichronoglou (TH) OECD said that this had been discussed previously and explained that inside the same country, there could be different institutions active, sources and methods. He said that the Chapter 3 of the forthcoming Handbook on Economic Globalisation Indicators contained useful information and is consistent with the MSITS, but that there were some differences regarding the concepts of ownership and control. It was proposed that a WTO/OMC presentation at the OECD globalization meeting for instance could help focus attention on the needs of trade in services and the problems. TH said that there was a problem of resources.

28. The discussion raised the following points: FATS data are important for trade in services. Compilers need to be reminded why it is important. Countries may have significantly different approaches to collecting FATS data. There was a proposal related to FDI in the revision of BPM5 to raise the 10 percent ownership criterion to 20.

The TF concluded that:

- i) WTO are requested to consider making this presentation to the OECD Globalisation experts meeting.**
- ii) Eurostat would circulate the EU regulation paper to the TF.**
- iii) Appropriate FATS experts should be invited to the OECD-Eurostat joint TIS expert meeting in 2005.**
- iv) BEA offered a presentation to the OECD-Eurostat joint TIS meeting, showing the importance of FATS data in US experience.**

Item. 4b Technical assistance – Coordination update

29. Responses to the IMF questionnaire on technical assistance events, that Ms Fitzgibbon had circulated, had been finalised. It was suggested that the information should go on the TF website; this could stimulate interest from other countries. The TF was informed that South Eastern Europe had

requested training in statistics on trade in services. The WTO and OECD had jointly given seven one day courses in different capitals of the region. The WTO training module was a useful and easy tool that needed only a little customisation for each new country. It would be sensible to bring that module to the attention of people who fund the training programs. The TF should consider a strategic programme looking ahead to 2006. The Bank of Japan had provided technical assistance to Malaysia and Korea and that technical assistance was planned in November in China.

The TF agreed that:

i) The IMF questionnaire should be publicised on the web.

ii) The WTO training module should be further publicized and opportunities be sought to present it to bodies that can fund programs.

Item 4c. Monitoring progress on international data collection, dissemination and quality.

30. The Chair drew attention to the OECD paper on monitoring progress and data quality, which was presented at the 2004 joint OECD-Eurostat TIS meeting in April, and to the OECD note “if you look in the mirror what do we see” on mirror statistics.

31. Regarding the methodological soundness questionnaires, Eurostat and OECD have received 30 responses and that these were currently being analysed.

32. The IMF requested a short report from the TF to the BOPCOM meeting in South Africa in October 2004 to include BPM5 revision and data quality issues.

33. UN and the OECD reported that they were jointly developing a common trade database including trade in services and they would keep the TF informed of progress.

Item 5. Mode 4

34. This item was to be dealt with at the TSG meeting, and was passed over.

Item 6. Revision of CPC

35. IH gave a short presentation of the EBOPS-CPC paper that UNSD had provided, which set out current difficulties in linking CPC and EBOPS. Proposals for changes to the CPC would be discussed at the TSG meeting in October 2004. Issues included the need for more detail for ICT services in CPC and how to strengthen links between EBOPS and CPC.

TF comments on the UNSD paper were invited by 10 October 2004

Item 7. Task force web pages,

36. The TF agreed that there was a need to put more information on the UNSD TF webpages. UNSD proposed to start a trade in services newsletter, possibly three times a year. Any information to include on the web should be sent to Ms Alfieri at UNSD. UNSD would update the web pages as necessary.

The TF thanked UNSD for developing the TF web pages and members would provide UNSD with material for the site as appropriate.

Item 8. UNSC Services Coordination project – report by OECD

37. The TF noted the OECD work on services statistics coordination for the UNSC. This would be presented to the Voorburg Group in Ottawa later that month. There remained a need to engage more countries in improving their services statistics. The draft report would be copied to the TF for comment before it was sent to UNSC.

Item 9. Any other business

38. There was no other business.

Item 10. Date of the next meeting

39. The next TF meeting would be held the 2-3 February 2005 in Paris. The next OECD-Eurostat joint TIS meeting is planned for the 13-15 September 2005 in Paris, followed by a one day TF meeting on 16 September.

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13 September 2004 - 14 September 2004

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ANNEX 2

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

13- 14 September 2004,

OECD, PARIS, MONACO BUILDING

AGENDA

1. Adoption of the agenda
2. Approval of the report of the last meeting of the Task Force held in 30 April 2004.
 - a.) matters arising
3. Revision of Balance of Payments Manual
 - a.) Services-related parts of the IMF annotated BPM outline (circulated)
 - b) Update on SNA revision
 - c) Timetable for revision of MSITS (OECD paper)
4. Manual implementation:
 - a. Compilation guidance
 - i) Revised Draft on Travel
 - ii) FATS issues and analysis paper
 - b. Technical assistance – coordination update
 - c. Monitoring progress on international data collection, dissemination, and quality
5. Mode 4
 - a) Report from Mode 4 Technical Sub-Group and IMF BOPCOM developments on international movement of temporary workers
 - b) remittances
6. Revision of CPC
7. TF webpages
8. UNSC Services Coordination project – report by OECD
9. Any other business
10. Date of next meeting

Annex 3 Timetable for a Revised Manual on Statistics of International Trade in Services

The Manual on Statistics of International Trade in Services (MSITS) was published by six agencies at the end of 2002. It represented a major step forward in the measurement of such trade. MSITS is 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), which is currently being revised; ii) for foreign affiliates trade in services – the forthcoming OECD Handbook of Economic Globalisation Indicators (HEGI), expected late in 2004.

In considering modes of supply the MSITS acknowledged some unfinished business regarding coverage of mode 4 trade in services. It was envisaged that a future revision would contain a chapter setting out a statistical framework for the measurement of mode 4. The UNSD led Technical Sub-Group on Mode 4 aims to prepare such a chapter.

In addition the Central Product Classification (CPC) and International Standard Industry Classification are being revised in 2007.

Given the current revision of BPM5 to be completed in 2008 and the related revision of SNA, the publication of the HEGI, the planned chapter on Mode 4 measurement, and the revisions of product and activity classifications, it would seem appropriate to aim to produce a revised MSITS closely following the date of the revised BPM5.

The MSITS revision would largely reflect the impact of these other developments, but might also take into account to a limited extent experiences in implementing the MSITS, other progress in measuring modes of supply, and any necessary updating. For example the main trade in services classification in the EBOPS will need to be reviewed. However it is envisaged that issues not reflected in the aforementioned revisions would be limited in scope.

The ITFSITS has agreed to produce a revised MSITS, which is planned for 2008 for approval by UN Statistical Commission (UNSC) in 2009.

Timetable:

Inputs:

December 2005 – April 2006 invitation for proposals for

- i) revised EBOPS
- ii) on issues to be included in scope of revision

2006 Revised BPM5 Draft Final

2006 ? Chapter on Mode 4 2006

2007 Revised ISIC and CPC Final

Production:

June to December 2006 TF Review issues for revised MSITS and draft outline of revised MSITS including EBOPS

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

July 2007 – March 2008 TF to review comments and draft revised MSITS

April - July 2008 world-wide consultation on draft revised MSITS

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

Publication: April – December 2009 produce publication MSITS rev1.