

REPORT OF THE TWENTY-FIRST MEETING OF THE INTERAGENCY TASK FORCE ON STATISTICS OF INTERNATIONAL TRADE IN SERVICES



16 September 2005
OECD, PARIS

1. The Interagency Task Force on Statistics of International Trade in Services held its twenty-first meeting at OECD Tour Europe in Paris on 16 September 2005. The list of participants is attached at Annex 1 and the agenda at Annex 2.
2. The Chair informed the Task Force that apologies had been received from Mrs Guerrero from the Central Bank of Philippines and Mr Atingi-Ego from the Bank of Uganda.

Revision of Balance of Payments Manual

Update of SNA/BPM5/CPC issues related to trade in services.

3. Regarding the work to revise the Balance of Payments Manual, the representative of the IMF said that there were still two technical expert groups in existence (*i.e.* the Balance of Payments Technical Expert Group and the Currency Union Technical Expert Group). However they are in abeyance because their methodological work has been completed; they will be consulted in future mainly on drafting matters. The joint IMF-OECD Direct Investment Technical Expert Group has completed its methodological work and has been disbanded; however some follow up work (e.g. drafting) is being carried out in the OECD's Benchmark Advisory Group. Recommendations of these groups have been reviewed by BOPCOM and most decisions taken. Relevant decisions have been referred to the SNA AEG, which will hold its final meeting in January 2006. All methodological decisions that affect the SNA are planned to be resolved by about May 2006. All of this work is expected to be finished in time to produce a full draft of BPM6 chapters by the end of 2006.
4. On **Goods for Processing**, he said that the BOPCOM had been divided, and noted that the SNA AEG had chosen to reinforce the change of ownership principle, by removing this exception. Because the BOPCOM was divided, it was decided that the conclusion of the AEG (never to impute change of ownership for goods being sent abroad for processing) would be adopted.
5. Regarding the issue of **Merchanting**, BOPCOM Members had agreed the need for further work and were concerned that, for instance, global manufacturing activities and commodity dealers' activities could be hidden in Merchanting. He mentioned the useful presentation made by Israel during the OECD-Eurostat Expert Meeting which underlined the need to further discuss the implications for measurement of Merchanting in global manufacturing processes. A BOPCOM working group had been constituted for this purpose and would report conclusions within two months.
6. The classification revisions seemed to be progressing satisfactorily. Some issues of clarification remained regarding the travel item.

Follow up actions on Goods for processing and Merchanting

7. The group noted that the Merchanting discussion was following its course. The TF could input to the BOPCOM Merchanting group discussion via the Chair. It also noted that the Goods for Processing decision had been made by SNA AEG, the implications of which needed to be clarified. The TF had expressed support for status quo on goods for processing during the February 2005 meeting. A request was made for a joint statement from the group drawing attention to the possible impact and analytical issues stemming from the AEG decision. TF members could send their opinions to the Chair by end of October. Possible problems in the goods account were alluded to, if goods for processing were to be treated as a service. The difficulty of distinguishing between regular trade and processing was also noted. The issue of data collection was raised. It was noted that only an adjustment in BOP was envisaged and that no change was implied to the merchandise trade statistics by the AEG decision.

The TF noted:

a) on Goods for Processing

- **the request to consider the impact of decision of AEG on analytical and practical issues.**
- **that there was no necessary change in merchandise trade statistics.**
- **the BoP treatment implied an additional difference between BOP trade in goods and merchandise trade in goods**
- **data compilation problems were to be expected**
- **the WTO paper was a good source to draw on.**
- **a request that members supply the Chair with their comments by end October that would form the basis for a joint note that would go to the ISWGNA and BOPCOM.**
- **OECD to draft paper by mid November.**

b) on Merchanting

- **the Chair would contact the TF regarding inputs to the BOPCOM merchanting group**

Update of the MSITS.

Classification issues in trade in Services BOPS and EBOPS

8. Three papers were presented during the Expert Meeting on the update of MSITS. An expected time-table of the revision, as well as a BOPS classification, were made available.

9. **Goods for processing:** The chair proposed that, if the item “goods for processing” was moved to services, it needed to be the first item to allow analysts to group it with goods trade if they wished. Whether or not to combine agricultural and mining processing (for instance retreatment of nuclear waste) with goods for processing, was a pending question. The TF agreed that **Processing of goods** (all included) should replace ‘Goods for processing’ in the classification. Agricultural and mining services, that did not involve processing would remain in other business services.

10. Regarding treatment of **financial services, licenses, originals and copies**, it would be necessary to await the decisions and guidance of the SNA AEG.

Revision of the CPC

11. The revision of CPC, which was due to be finalized at the end of October, and the issue of its linkages with EBOPS was considered as an urgent concern. It was noted that CPC does not clearly designate products in term of goods and services. However, the transportable goods part can be linked to HS whereas products that cannot be linked to HS, are grouped with the services part (produced assets, Digital products downloaded etc). The WTO/OMC representative asked if this differentiation was content oriented and noted that in the context of digital products downloaded, the means of delivery seemed to be the criterion to classify the item (which is not supposed to be the case in the context of GATS agreement). WTO/OMT observed that in GATS the principle was that a product is not changed by the way it is delivered. The UNSD representative said that his organization was still open for some follow up regarding CPC. The Chair noted that the UN paper suggested that there was still a need to improve the linkages EBOPS-CPC and that the OECD secretariat would do its best to provide comments, with possible input from ABS. The Treatment of Post and Courier Services was discussed; the question was whether it was appropriate to leave that item at the end of the transportation services as item 3.4. The possibility of changing the title of the transportation category was also discussed. The alternative breakdown of transportation into passenger, freight and other had also to be taken into account. **It was decided to keep the current proposal in the main presentation and to take ILO’s suggestion for the alternative presentation where post and courier would be included with other transport.**

12. The question was put on whether the insurance breakdown as well as the financial services breakdown would be supplementary items in BPM6. This would be investigated. Other business services may lose the item Merchanting, depending on the AEG and BOPCOM decision; this category would then start with Trade-related Services. Borderline issues between telecommunications and audiovisual items should be elaborated.

TSA revision

13. The alternative breakdown for **Travel** was discussed. It was noted that the primary breakdown was agreed but an elaboration of business visitors was presented in the IMF travel document. The IMF representative said that ‘historically’ a supplementary presentation for tourism had been the primary intention. ‘Supplementary’ meaning that it would not be standard in BPM6. There had been an initiative to break up service of travel agency separately but the BOPCOM had rejected the idea. On the breakdown of the business travel item, it was suggested that the following 3 items would appear:

- i). Non-resident employees undertaking a productive activity for an enterprise that is not resident in the economy in which it takes place. Their productive activity does not contribute to the GDP of the country visited, but of the GDP of the home country.
- ii). Non-resident employees undertaking a productive activity directly for an enterprise that is resident in the economy in which it takes place (offering labour and receiving compensation of employees; the productive activity contributes to the GDP of the country in which it takes place)
- iii). Self-Employed individuals undertaking a productive activity (offering products, the productive activity contributes to the GDP of the home country.

14. The IMF representative added that the Committee was concerned regarding the cost and practicality of this extra breakdown and observed that this could only be considered as supplementary information.

15. The WTO/OMT representative would provide a short text with a matrix by product, and by purpose of visit. The task force noted that we should be cautious not asking for too much extra detail as this detail could only be afforded if very big sample sizes were available. There had been a proposal to include expenditure of military personnel in travel but this had been rejected as the travel figures would be inflated in case of war.

16. The Chair noted other issues in the classification paper including the possibility of a ‘grey area’ (where products are classified neither as good nor as services) and the need for a tightening of the definition of government services. The proposal for a ‘grey area’ was not supported.

17. The WTO/OMT representative would provide a short text with a matrix by product for the supplementary travel presentation, and by purpose of visit.

18. The OECD Secretariat would revise the classification paper by end 2005 in the light of the TF discussion and inputs.

Issues related to foreign affiliates trade in services (FATS).

19. FATS is addressed mainly in Chapter 4 of the Manual. The material from the OECD Handbook on Economic Globalization Indicators (HEGI) and from the revised OECD Benchmark Definition of Foreign Direct Investment would be reviewed for issues concerning FATS and determinants of foreign ownership of control of firms. It may be necessary to review the discussion of the treatment of parent companies, to review discussion of chains of ownership, to discuss indirect control, to consider the impact of other issues such as the fully consolidated system, to review a list of variables for FATS statistics and to review ICFA.

Proposed Mode 4 chapter

20. It was reported that the OECD note presented at the TF had been circulated without consultation, which was unfortunate. The TF was informed that the UN was planning to hold an Expert Group on MNP (Mode 4) meeting on 28-30 November which would finalize the decisions on mode 4 and that the UN was planning to work with the WTO and OECD on this.

21. The OECD secretariat presented the mode 4 note setting out the reasons to revise the annex on mode 4. Clarification of the status of foreign employees of domestically controlled companies delivering services was desirable as in the current mode 4 annex it was unclear about its inclusion or not in mode 4. The revisions of SNA 93, BPM5, CPC and ISIC may have some impact. It was noted that if sufficient consensus is reached, the current annex would become a chapter on mode 4. The need for information in this context was spelt out and concerned the value of services supplied under mode 4 as well as the number of persons involved. Problems related to the collection of these variables were explained. It was pointed out that it could be of interest to use, in the context of business visitors, the breakdown suggested by the IMF travel paper. The ILO representative reported on some ILO work being done to try to get some MNP relevant questions on Labour Force Surveys. The TF confirmed that work on Mode 4 had been delegated to the TSG but that the TF was still responsible for the revision of the Manual. The TF felt that a Mode 4 Expert Group at the end of November was premature and that there was still a need for clarification as for instance regarding who would be invited.

Draft questionnaire on scope of update of MSITS (especially EBOPS)

22. **The draft consultation document would be prepared by OECD for the next TF in February 2006 for finalization. There was a request for inputs from the TF to add to the consultation document.**

23. **OECD would report concerns about the proposed dates of the Expert Group on Mode 4 to UNSD.**

Manual implementation.

Technical assistance

24. The TF reiterated the importance of sharing information on technical assistance between the organizations. It noted the usefulness of the UN initiative to maintain a technical assistance calendar on the web, which would enhance coordination. The UN reported a joint UNSD/ECLAC Workshop on Statistics of international trade in services in Panama City in September 2005, this kind of seminar was planned once a year. The WTO informed the TF about a seminar on trade in services statistics held in Lima, Peru with the Andean community in July 2005. The IMF reported technical assistance in Slovenia in Spring 2005. A request of technical assistance from Chile and also Barbuda could not be satisfied because of the lack of funding. The IMF proposed the possibility of organizing a yearly TF seminar that the IMF could plan in its budget, Eurostat mentioned a visit with SAFE China. The *Ufficio Italiano dei Cambi (UIC)* reported technical assistance in Bulgaria and the US mentioned the visit of a delegation from Thailand on trade in services. The WTO said that the training module was to be updated and invited comments from the TF.

Monitoring progress

25. The papers from the OECD and UNSD were noted without further discussion.

TF website and newsletter.

26. The UN reported that they had created a shell or mock-up for the Newsletter that would be issued, after discussions, annually. Acronyms were agreed on, in particular “TFSITS” for the TF and “WTO/OMC” for the World Trade Organization. There was a remark on the absence of reference to the WTO/OMT in the editorial note. This newsletter could be sent to a list of correspondents that the TF would provide. **It was agreed that the UN would invite material by November for the first issue, the next issue could be planned in May 2006 and then in 2007.**

Proposed ISWG on Services

27. The creation of the Working group had been requested by UNSC in 2005. Four organizations have expressed interest in participating. This WG should complement and not duplicate the work of the Voorburg Group. The ILO, Eurostat, UNSD, CISStat and OECD had expressed an interest in participating if such a group were to be created.

Any other business.

28. The draft TF report would be ready in mid-October and the final report by mid-November. The UN representative would inform the TF about the due date of any report to the Statistical Commission.

Dates and locations of future meetings

29. It was suggested that the next TF meeting follow the January SNA AEG so their decisions would be known. The dates of 21-22 February 2006 in New York for the TF meeting have been agreed. The 15th September 2006 in Paris was also set as a date for the subsequent TF.

List of Actions

A1. It was requested that TF members supply the Chair with comments on implications of the SNA AEG decision on goods for processing that would form the basis for a joint note that would go the ISWGNA and BOPCOM. Comments are requested by end of October for OECD to prepare a note by mid November.

A2 The Chair would contact the TF regarding inputs to the BOPCOM Merchanting group

A3. The WTO/OMT representative would provide a short text with a matrix by product for the supplementary travel presentation, and by purpose of visit.

A4. The OECD Secretariat would revise the classification paper by end 2005 in the light of the TF discussion and inputs

A5. The draft update consultation document on the MSITS update would be prepared by OECD for the next TF in February 2006 for finalisation. There was a request for suggested issues from the TF to add to the consultation document.

A6. UNSD would invite material by November 2005 for the first issue of the TF Newsletter.

A7. OECD would report concerns about the proposed dates of the Expert Group on Mode 4 to UNSD.

Annex 1

**List of Participants in
Task Force Meeting of 16 September 2005 OECD, Paris**

<u>EUROSTAT</u>	Mushtaq Hussain Unit C4 - Balance of Payments EUROSTAT Luxembourg	Tel. (352) 4301-35811 Fax (352) 4301-33 859 Mushtaq.hussain@cec.eu.int
<u>ILO</u>	Robert Pember ILO Bureau of Statistics	Tel: (41) 22 799 8668 pember@ilo.org
<u>IMF</u>	Neil Patterson INTERNATIONAL MONETARY FUND Washington, D.C.	Tel: (1-202) 623-7907 Fax: (1-202) 623-6033 npatterson@imf.org
<u>UNSD</u>	Vladimir Markhonko United Nations Statistics Division New York	Tel: (1-212) 963 5252 Fax (1-212) 963 1940 markhonko@un.org
<u>World Trade Organization (WTO/OMC)</u>	Andreas MAURER World Trade Organization Geneva	Andreas.maurer@wto.org
<u>World Tourism Organization (WTO/OMT)</u>	Marion LIBREROS Consultant	mlibreros.pinot@wanadoo.fr
<u>OECD</u>	William CAVE (Chair) OECD STD/ PASS Paris Bettina WISTROM	Tel: (33 1) 4524-8872 Fax: (33 1) 4524-9814 William.cave@oecd.org Bettina.wistrom@oecd.org
<u>Consultant / Germany</u>	Almut STEGER Deutsche Bundesbank Frankfurt	almut.steger@bundesbank.de
<u>Consultant / United States</u>	Michael MANN Bureau of Economic Analysis WASHINGTON D.C.	michael.mann@bea.gov
<u>Consultant/ Italy</u>	Giovanni Giuseppe Ortolani Ufficio Italiano dei Cambi	Tel (39 0) 6 4663 4302 ortolani@uic.it
<u>Consultant / France</u>	Claude PEYROUX Banque de France Paris	Claude.peyroux@banque-France.fr
<u>Consultant / Japan</u>	Tetsumo Arita Bank of Japan Tokyo	Tel: +(81-3)32772097 Fax: +(81-3)52016679 Tetsuma.arita@boj.or.jp

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

16 September 2005,

**OECD, PARIS, TOUR EUROPE, LA DEFENSE, S182
AGENDA**

1. Adoption of the agenda
2. Main outcomes for the TF from the OECD-Eurostat Expert meeting on Trade in Services – oral report from Dr Steger
3. Revision of Balance of Payments Manual and other statistical frameworks
 - a. Updates of SNA/BPM5/CPC issues related to trade in services – OECD – IMF – UNSD reports for information
 - b. Follow up actions on goods for processing and merchanting
4. Update of the Manual on Statistics of International Trade in Services
 - a. Classification issues in trade in services BOPS and EBOPS – Paper by OECD
 - b. CPC link to EBOPS– (TF response to the UNSD consultation?)
 - c. TSA revision –WTO/OMT and IMF papers
 - d. Issues related to foreign affiliates trade in services
 - e. Proposed Mode 4 Chapter – oral report by WTO/OMC and OECD
 - f. Draft questionnaire on scope of update of MSITS (especially EBOPS)
 - g. Next steps
5. Manual implementation:
 - a. Technical assistance – coordination update
 - b. Monitoring progress on international trade in services and FATS data collection, dissemination, and quality. Organisations will be invited to report on developments.
6. The TF website and newsletter – UNSD report.
7. Proposed ISWG on Services – report for information by OECD.
8. Any other business.
9. Dates and locations of TF meetings 2006.