

TFSITS (06) 6 – agenda item 3a and b

Updating of the Manual on Statistics of International Trade in Services for 2008

Draft overview, scope, and consultation document

Note by OECD Statistics Directorate

This paper identifies a draft set of MSITS update issues for discussion by the TFSITS and is intended to be the basis of a worldwide consultation document.

Introduction

The Manual on Statistics of International Trade in Services (MSITS) was published by six agencies¹ at the end of 2002. It represented a major step forward in the measurement of such trade. One of the main aims of MSITS was to provide a framework to begin 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. 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), which is currently being revised;
- ii) for foreign affiliates trade in services – the concepts and definitions were aligned with 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 SNA, the international accounts, trade in services, and services production, but 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 1993 System of National Accounts (SNA), BPM5, the activity and product classifications ISIC and CPC, and developments in related statistical frameworks, it has become necessary to update the Manual on Statistics of International Trade in Services (MSITS) in order to maintain its usefulness and credibility for countries.

Apart from the above mentioned driving factors, because of the relative newness of MSITS – first published in 2002- the planned update would be limited in scope.

The Interagency Task Force on Statistics of International Trade in Services (TFSITS) plans to produce an updated MSITS by end 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 the first half of 2006.

Other issues for the update

In considering the measurement of modes of supply of services MSITS acknowledged some unfinished business, particularly 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.

¹ EC, IMF, OECD, UN, UNCTAD, WTO (OMC)

TFSITS building on work begun by the UNSD led Technical Sub-Group on Movement of Natural Persons (Mode 4) aims to prepare such a chapter.

In addition the Central Product Classification (CPC) and International Standard Industry Classification (ISIC) are being revised in 2007. Other frameworks with some links to MSITS such as The OECD Benchmark Definition (3rd edition) of Foreign Direct Investment and the Tourism Satellite Account Methodological Recommendations are also being revised. Links and references to these related frameworks would need to be revised.

Given the current revision of BPM5 to be completed in 2008, and the parallel revision of SNA, it would seem appropriate to aim to produce a revised MSITS very closely following the date of the revised BPM5.

The MSITS update would largely reflect the impact of these other developments, but might also take into account country experiences in implementing the MSITS, problems in analysing the consequent data, 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 expected that changes not reflected in the aforementioned revisions would be limited in scope. *The TFSITS has agreed to produce an updated MSITS, which is planned for end 2008 for submission for approval to UN Statistical Commission (UNSC) in 2009.*

Approximate Timetable:

Inputs:

- 2005** OECD Handbook on Economic Globalisation Indicators (HEGI) published
- December 2005 – April 2006** invitation for proposals and preparation of questionnaire regarding
 - i) revised EBOPS
 - ii) on issues to be included in scope of revision
- March 2006** Revised ISIC and CPC Final
- April 2006 – July 2006** Consultation period on EBOPS and other update issues
- End 2006** Revised BPM5 first full draft
- End 2008** Revised BPM5 final Draft, on IMF website, subject only to editing.

Production:

- August to December 2006** TF 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** 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
- 2010** Publication of MSITS rev 1

Annex 1

Outline draft of issues and questions for worldwide consultation on update of MSITS

General

Throughout the Manual it will be necessary to update all references to other statistical systems.

Draft issues for Chapter 1

Review the summary list of recommendations.

Question: Do you agree with the list of priority recommendations in Chapter 1 and their order? Y or N - Please comment and/or suggest any amendments.

Draft issues for Chapter 2

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

Although the work is not complete it is already clear that there will need to be:

- i) A clarification of description of mode 4 in MSITS chapter 2.
- ii) Clarification and update regarding labour-related flows of funds.

Trade analysts interest also suggest a review of the MSITS statistical treatment of modes of supply

Question: Do you agree with the list of issues for chapter 2? Y or N
Please comment and/or suggest additional issues.

Draft issues for Chapter 3

EBOPS is an elaboration of the IMF Balance of Payments Services (BOPS) classification. It would probably remain so.

Thus proposed changes to BOPS when finalised e.g. goods for processing, merchanting, telecommunication and information technology services, post and courier services, FISIM, insurance, royalties, travel would carry through to changes in EBOPS.

There is also a need to review the detail and grouping of EBOPS and its memorandum items and minor changes and improvements could be envisaged. There may be little used or outdated EBOPS items that could be dropped. There may be new and growing services, that should be included. Is the level of detail in EBOPS about right, or could it be extended on an optional basis to show what could be reported if a country so wished.

Question: Is the current level of detail in EBOPS i) about right? ii) too detailed? iii) not detailed enough?

Question: Are there any EBOPS items that could be eliminated?

Question: Are there new series that should be added to EBOPS? i) as optional breakdowns – not recommended for reporting ii) as part of the core classification

Question: EBOPS currently just covers services, for completeness should it be extended to cover BOP items for trade in goods?

It will be necessary to review the definition of types of service for updating and clarification

An example of an alternate aggregation was included in the MSITS (2002). Review alternate aggregations

Question: Audiovisual transactions was presented in MSITS as an alternate aggregation. Should this be retained? Y or N? Comments.....?

Question: Should there be any other alternate aggregations? Comments and suggestions are welcome.....

The data collection methods section will need to be reviewed and updated.

Draft issues for Chapter 4

It will be necessary to review material from OECD HEGI and the revised OECD Benchmark Definition of Foreign Direct Investment for issues concerning FATS and FDI and the determinants of foreign ownership or control of firms.

In line with this:

- i) consider adding a discussion of the treatment of parent companies.
- ii) review discussion of criteria for determining control in a chain of ownership. Discuss indirect control
- iii) consider the impact of other issues such as the fully consolidated system

Further the list of variables for FATS statistics should be reviewed. Do you wish to propose any amendments?

Changes to ISIC and EBOPS will require a review of ICFA.

The acronym “FATS” has been criticised as both ambiguous and inelegant. Suggestions for a more appropriate name and acronym are invited.

Mode 4 Annex/Chapter

The planned mode 4 chapter is expected to follow the recommendations of the UN TSG on MNP (Mode 4) to develop a measurement framework.

It will clarify the definition of mode 4; provide measures in terms of values and numbers of people. Consider travel breakdown proposed for TSA.

Concordance annexes

Revise

Annex on TSA

Revise according to the revision of TSA Recommended Methodological Framework.

Possible new annexes to MSITS

1. A sector treatment of trade in services – e.g. health services – a case study

World Health Organization (WHO) have requested that in the updated version of the MSITS, health services trade should be an issue for further attention, which should be reflected in more detailed indicators looking at transactions of health services.

A possible approach:

1. Make the already existing health-related indicators in EBOPS (294 and 896), which are presently only supplementary, an integral part of the data collection of the MSITS.
2. In a second stage, a further breakdown of the indicators, similar to the CPC classification should be the goal (please see comparison below).

In the process of the revision of CPC, the breakdown to trade in health services which is suggested for the CPC should also be adopted for the EBOPS/BPM5. This would allow a continuum of monitoring from products (CPC) to the consecutive transactions (EBOPS/BPM5), which governments, trade negotiators and other stakeholders in the health sector would need for a proper assessment of trade in health services.

Perhaps this process could be started in an annex in the revised MSITS looking at trade in health services as an example of a sectoral presentation by mode of supply that would be compatible with the main MSITS, but could go beyond it in terms of detail and scope.

2. Improving the analytic potential of trade in services data –

The purpose of producing data on trade in services is to inform trade policy, and facilitate economic and trade analysis. Common criticism includes difficulties to link services trade and production data, uncertainty about how to combine balance of payments data and foreign affiliates trade data, how to cope with bilateral asymmetries and how to apply the data to models of world trade flows.

Question: Do you agree that a new annex be included on a sectoral approach? Y or N?

Trade in health services has been suggested? Do you agree or would you prefer another sector? Y or N?
Comments

Question

Do you agree that a new annex should be added on analytical issues? Y or N?

Please comment on the suggestions in 2i,ii, and iii) or add your own suggestion

Question

Are there any other comments or issues you wish to raise regarding the update of MSITS?

Comments.....

3. Service export and import prices

Would it be useful to include an annex on service export and import prices referring to the IMF work on this subject? Y or N? Comments.....

Annex 2

Who should be consulted and the process?

Previously the original MSITS was sent to International Organisations, NSOs and Central Banks by UNSD and IMF. This would seem to be appropriate from a statistical point of view, but what about trade analysts and negotiators? How should they be consulted? WTO/OMC play a role here with their delegations.

What about regional bodies such as ECLAC, CARICOM, COMESA should they be included or sectoral bodies?

Should any other groups be consulted e.g. business associations?

Process and Timing?

It is proposed to send a common letter from the TF (via UNSD, IMF, WTO) to countries and organisations by the end of March with a four month consultation period. Responses would be collected and put on a database (by who?) and reviewed by the TF by the end of 2006.