
Revision of Balance of Payments Manual related to trade in services frameworks

Draft Chapter 9 of a revised BPM5 – The goods and services account

2. The TF discussed a preview of the draft Chapter 9 of a revised BPM5, which had been made available by IMF. The main attention was given to the classification of services trade in the chapter and the need to revise Other business services, which was too large a proportion, about 25%, of total services and badly balanced now that merchanting and processing of goods had been removed. The TF considered various options and agreed on a proposal to split and restructure the main item Other business services, which it recommends to the IMF BOPCOM for inclusion in BPM6. This proposal is set out in Annex 3.

3. The new proposed treatment of foreign student education fees and foreign patients’ medical bills in paragraph 9.142 was discussed. The opinion of TFSITS members on this new proposal was split. On the one hand, it attracted some support on grounds of improving product links and relevance to GATS information needs. On the other hand, some criticism emerged, as the exclusion of student and patients fees from Travel would represent an exception to the principle that all goods and services acquired by non residents who physically moved to foreign economies are included in the item.

4. A measurement issue was raised and noted about potentially different problems raised by splitting out of education fees for short-term and long-term students. UNCTAD commented that education and health fees were an important issue for certain countries including some developing countries.

5. The TF favoured a compromise suggestion whereby those education and health fees are split as proposed in Chapter 9 but are kept within the item Travel, which could be a better solution. WTO also suggested that if travellers’ education fee expenditure and health service expenditure were to be separately identified, they could be added to the alternative product-based presentation of travel.

6. WTO commented that paragraph 9.149 and the associated table on modes of supply seem out of place in Chapter 9 and could be deleted. General references to MSITS and GATS should be sufficient.

7. UNWTO expressed general approval of the improved and clarified links between the draft BPM and Tourism statistics. A paper with UNWTO comments specific to tourism aspects of draft chapter 9 has been sent to IMF.
8. The question was raised whether *Repairs on goods* should be called “Repairs and maintenance of goods”?

9. OECD raised an issue concerning a new divergence between BOPS and CPC version 2 regarding the treatment of downloading online content, which would create a growing item of downloadable ‘goods’ in the very large item *general merchandise* without any BOP code. This could impact adversely on internationally comparable measurement of trade in computer software, which is of interest to SNA and ICT sector analysis, and on measurement of other information ‘content’ products. WTO and UNSD agreed that the paragraph 9.15c sentence on the issue of electronic delivery should be reconsidered. OECD would supply a note to BOPCOM on this issue.

**Updating of the Manual on Statistics of International Trade in Services**

*a) Review of responses to worldwide consultation on issues for the update of MSITS*

10. A coordinated worldwide consultation, on issues for the update of the MSITS, had been conducted for the TF by IMF, UNSD and WTO in May 2006 requesting responses by end July 2006. The consultation document and questionnaire had been sent to Balance of payments contacts, National Statistical Offices, WTO Trade Delegations and a range of International Organisations. Translations into Arabic, French, Spanish and Russian had been made available. 103 completed questionnaires had been received from 81 countries and 4 international organisations. The TF began the review of the responses to the worldwide consultation.

11. UNSD had provided a written summary of responses to chapter 1. There were large majorities in favour of the current list of priority recommendations set out in MSITS chapter 1, the order of the priorities, and a proposal to include the partner country dimension in the second, third and fourth recommendations on EBOPS, FDI and FATS rather than as a stand alone fifth recommendation. There was a discussion about the different approach to identifying partners in the three frameworks, which would need to be addressed by the TF, but in principle the TF accepted the majority country advice on and would draft a reconfiguration of the recommendations 2 to 5. Suggestions received included the need for compilation guidance and many countries stressed the need for coherence with SNA/BPM5 revisions. A suggestion to promote the recommendation on mode 4 was not accepted.

12. WTO provided a summary of responses to chapter 2. There was a large majority agreeing to the list of issues for chapter 2. There was also a large majority agreeing to the proposal to move an in-depth discussion of modes of supply to after chapters 3 and 4. The TF agreed to follow this majority country advice. A suggestion for the need for a clearer definition of international trade in services was accepted in principle for further consideration. A suggestion to describe the frameworks SNA and BPM5 before the introduction to GATS was not accepted.

13. IMF provided a summary of responses to chapter 3. To the question 3.1 whether any EBOPS items should be grouped at a higher level, 56% of respondents said “No”. A suggestion was made to group the EBOPS subcomponents of Government services n.i.e., which was supported by the TF, which with this exception, recommended that EBOPS detail should generally be maintained and countries were free to group items if they wish. A problem was noted regarding the content of repairs on goods and whether or not maintenance was included. This should be investigated further.

14. Question 3.2 “Are there services not currently separately identified in EBOPS, which should be separately identified?” To this 45% of respondents said “no”, and 32% said “Yes”. A number of proposals for changes had been received and only a few of these were considered during this preliminary discussion of responses. A suggestion to split in EBOPS pipeline
transportation from electricity transmission was provisionally supported by the TF. Suggestions to split out tour guide and tour operator services, computer services by CPC, and financial services were not supported.

15. Overall the TF took the view that there was not a desire for any major change to EBOPS in structure and level of detail at this time, apart from those arising as a consequence from the revision of BPM5, SNA 1993 and taking into account CPC revisions. Proposals for small changes however would be considered on their individual merits and on countries’ experience gained in implementing EBOPS.

16. Question 3.3: “Are there services identified in EBOPS that should be discussed in more detail?” Some 48% of respondents said “Yes” with many suggestions provided, 34% said “No”. A suggestion was noted, for further consideration, to include, in the description of services, the main CPC breakdown of EBOPS items in those cases where it was possible and that this might also serve as a guide to countries needing to make further national breakdowns of EBOPS. The suggestion would be communicated to the drafters of the revised MSITS Chapter on trade in services in the balance of payments.

17. Question 3.4: “…Would you like to see further efforts to strengthen and clarify the EBOPS-CPC link?” 63% of respondents said “Yes” and 23% said “No”. One suggestion was to use memorandum items to progress the strengthening of the link, and another was to set up a working group. The TF, while noting the associated data collection problems, agreed to pursue the suggestion in paragraph 16 (above) and keep the EBOPS-CPC link on the research agenda. IMF, in cooperation with UNSD, would update the CPC-EBOPS bridge tables in due course.

18. Question 3.5: “…Should EBOPS cover certain traded products that CPC version 2 classifies with services, but are not clearly goods or services, such as downloads from Internet…?” 65% of responses were favourable, 21% disagreed. At least 10 countries emphasized the primary need for consistency with the BPM5 and SNA 1993 revisions in this respect. The TF noted this advice and would consider further the descriptions of the products.

19. Question 3.6a “…. should “processing of goods” be prominent and separately identified in EBOPS?” 76% of respondents agreed, 13% disagreed. Again an emphasis on consistency with the revised BPM5 was expressed by many. The TF noted the large majority advice in favour. There was also a need to put the measurement of “processing of goods” on the research agenda.

20. Question 3.6b: “Should processing of goods be the first item in trade in services?” 48% agreed and 41% disagreed. The TF noted the majority in favour of the proposition and that the final decision should be in line with changes in BPM6.

21. Question 3.6c: “Alternatively should processing of goods be classified as a subcomponent of other business services?” 48% of respondents said “No”, 38% said “Yes”.

22. Question 3.7: “Audiovisual transactions was presented in MSITS as an alternate aggregation. Should this be retained? 63% agreed, while 25% disagreed. The TF agreed to keep the alternate aggregation on audio-visual transactions.

23. Question 3.8: “Should there be any other alternate aggregations…?” A slight majority 51% said “No”, and 28% said “Yes”. ICT, software and tourism were among the most cited suggestions for an alternate aggregation. The TF agreed that while other alternate aggregations were not necessary for the MSITS revision, there was an interest to do further work in this area for the future.
24. General suggestions for chapter 3 from the survey included addressing borderline classification issues, compilation guidance, and how to measure goods for processing.

25. UNCTAD provided a summary of responses to questions on Chapter 4.

26. Question 4.1: Should the name “Foreign Affiliates Trade in Services (FATS) statistics” be maintained in MSITS? 51% of respondents said Yes and 37% said “No”. There were many alternative names suggested. The TF decided to postpone a decision until after a full discussion at the January meeting.

27. Question 4.2 and 4.3 concerned the priority variables to be collected and the order of the priority. The responses offered a wide range of suggestions with R&D variables and assets among those most requested for adding to the list. UNCTAD raised an interest in splitting employment in Foreign Affiliates by gender.

28. Question 4.4: Does the text in MSITS paragraphs 4.39 to 4.54 concerning activities and products clearly describe the theoretical needs as well as the practical constraints of data collection? 70% of respondents agreed and only 10% disagreed.

29. Question 4.5: It is suggested that the discussion of inward FATS and outward FATS should be more clearly separated. Do you agree? 80% agreed and 12% disagreed. The TF agreed to consider a clearer separation of discussion on inward and outward FATS in Chapter 4.

30. The WTO provided a summary of responses on questions relating to annexes to the Manual.

31. Question A.1: Do you agree that a new annex should be added on analytical issues? A majority of respondents (Yes: 78, Partly: 3) are in favour of a new annex dealing with analytical issues. 12 respondents were not in favour of this new annex and some believe that the increasing number of annexes may cause confusion.

32. Question A.2: Please identify in order of importance the suggestions which you think should be included in such an annex: 68 respondents ranked the suggested topics in order of importance. The following topics were considered as important for inclusion in this new annex:
   - 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;
   - addressing linkages between services trade and production data;
   - how to link trade in services data with merchandise trade statistics showing overlaps and gaps.

33. The TF noted the large majority in favour of an analytical annex and agreed to draw up proposals on possible contents.

34. 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?

35. A majority of respondents were in favour of a new annex on the measurement of services exports and imports prices (Yes:80, Partly: 3, No: 6), which was identified as being an important issue in order to improve data and its international comparability, improve estimates on productivity, facilitate the assessment of comparative advantages. A number of respondents would like the situation of developing countries' statistical systems be taken into account. However some respondents seem to express some reservations as a number of guidelines already exist (e.g. IMF work, Eurostat "Handbook on prices and volumes") and that duplication of work should be avoided. One respondent indicated that this should be given a low priority. A summary including references should probably be sufficient.
36. The TF noted the large majority in favour of an annex on service export and import prices and would investigate how best to respond to this interest.

b) Next steps

37. The TF agreed to complete the review of the responses to the worldwide consultation in January 2007.

38. The TF agreed to prepare a draft annotated outline of the new Manual for discussion in January 2007 and share the workload. UNSD would prepare chapter 1. WTO would prepare chapter 2 and a new chapter on modes of supply including mode 4. IMF would prepare chapter 3. OECD would prepare chapter 4 and suggested material for an analytical annex. UNWTO would prepare suggestions for a revised TSA annex. OECD would provide an outline of other annexes. OECD would circulate the Word version of MSITS to the authors.

39. Additionally initial suggestions on material for future compilation guidance would be invited for the January meeting.

40. The approximate timetable for updating the MSITS is attached at Annex 4.

Knowledge Transfer and Technical Cooperation

41. UNWTO reported that, at a recent meeting of the Coordinating Committee of Statistical Agencies (CCSA), there was a call for more formal coordination of statistical technical assistance activities generally to avoid waste and duplication and PARIS21 had been requested to draw up proposals on how this could be achieved.

42. A range of recent and planned activities of agencies related to statistics of trade in services, the following were reported. These are listed at Annex 5.

43. It was pointed out that countries needed to do trade assessments and the current level of technical assistance, although increasing and considerable, was still inadequate to meet demand and further improvements were needed. The consideration of development of compilation guidance may need to be advanced.

44. A TF seminar on trade in services led by IMF is planned in Tunis in April 2007.

Date of Next Meeting

45. The next TF meeting is planned to take place in Madrid at the World Tourism Organization on 22-24 January 2007.
### List of Participants in
**Task Force Meeting of 15 September 2006 at OECD in Paris**

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Annex 2

Meeting of the Task Force on Statistics
of International Trade in Services

15 September 2006

OECD, Tour Europe, La Défense, Paris

Starting at 9.30 a.m.

AGENDA

1. Adoption of the agenda

2. Revision of Balance of Payments Manual related to trade in services frameworks – Draft Chapter 9 of BPM6

3. Update of the Manual on Statistics of International Trade in Services
      - Summaries of responses TFSITS (06) 22
        Chapter 1 TFSITS (06) 23
        Chapter 2
        Chapter 3
        Chapter 4 TFSITS (06) 24
        Annexes
   b. Chapter on Mode 4
   c. Prepare next steps in the updating process

4. Knowledge transfer and technical cooperation:
   - Technical assistance – coordination update – WTO, UNCTAD
     TFSITS(06) 25

5. Any other business.

6. Date and location of next TF meeting – provisionally 22-24 January 2007 in Madrid
Annex 3

Proposal for splitting and restructuring the BOP services item Other business services
Table 9.xx Classification of services, p. 166-167
§ j. Other business services, p. 186 ff

Given the fact that:
- the size of the category "Other business services" is very big, its share in EU trade in services is about 25%, users want to know more details,
- within this category the "miscellaneous business, professional, and technical services" is the biggest one,
- within "miscellaneous business, professional, and technical services" there is another sub-item called "other business services",
- in general this category is very heterogeneous,
- above mentioned 4 arguments make a meaningful economic analysis very cumbersome
- moreover, there is an increasing demand for more information on research and development,

Eurostat and the Task Force on Statistics of International Trade in Services (TFSITS) propose to split the category "Other business services" and replace it by three main BOP/EBOPS categories: "Research and Development Services", "Professional and management consulting services" and "Technical, trade related and other services". For details see below:

Research and Development Services

Professional and management consulting services
   Legal, accounting, management consulting, and public relations
       Legal services
       Accounting, auditing, bookkeeping, and tax consulting services
       Business and management consulting and public relations services
       Advertising, market research, and public opinion polling

Technical, trade related and other business services
   Architectural, engineering, scientific and other technical services  * suggested name change only
   Waste treatment and de-pollution, agricultural and mining services  * the remains of agricultural, mining and other onsite processing services
       Waste treatment and de-pollution
       Services incidental to agricultural and mining + veterinary services
   Operational leasing services
   Trade-related services – (wholesale distribution on a fee or contract basis)
   Other business services, n.i.e.

Eurostat and the Interagency Task Force believes that this new classification will give a better picture and allow a more qualified interpretation and economic analysis of trade in services.
Annex 4

Approximate Timetable for Updating
the Manual on Statistics of International Trade in Services

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 Modes of Supply including 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.
Recent and planned technical cooperation activities related to trade in services

1. ASEAN trade in services seminar was held 6 September 2006 (IMF and US BEA participation).

2. US BEA has been engaged in discussions with the Brazilian Ministry of Development, Industry, and Foreign Trade to initiate a formal arrangement for technical cooperation on statistics of trade in services.

3. UNCTAD has a program to improve FDI statistics and activity of foreign affiliates statistics and had conducted seminars in the ESCWA and ASEAN regions in 2006.


5. China held an international seminar on trade-in-services in Beijing in September 2006 (IMF, UNSD, UNCTAD, WTO and OECD participation)

6. Bank of Japan (BOJ) held a trade-in-services seminar in February 2006 in Yokohama with 9 invited countries, with a guest speaker from ECB. BOJ has also held a technical assistance meeting with China in 2006, which focused on travel. There are preliminary plans for another seminar for Asian countries and a TA meeting with China in 2007.

7. Seven Non-member countries had participated in the annual OECD-Eurostat Trade-in-services expert meeting held in September 2006.

8. UNSD plans a trade-in-services seminar in CIS in 2007

9. IMF/TFSITS plans a trade-in-services seminar in Tunis, April 2007

10. WTO plans a trade-in-services seminar in Pakistan in 2007