Welcome session

1. Mr Yoshiteru Uramoto Managing Director (and Deputy Director General) of UNIDO opened the meeting and welcomed the two Task Forces on Merchandise Trade and Trade in Services to Vienna. In a fast changing trade and industrial environment, with increased fragmentation, outsourcing and offshoring of production bringing different benefits and challenges to different countries, he drew attention to the need to identify and measure the impacts of globalisation. This meant taking into account measures of trade in both goods and services. It was important that the work to complete the two Statistical Manuals be brought to a successful conclusion taking into account cross-cutting issues that affected both areas.

2. The Chairs of the two Task Forces thanked UNIDO for hosting the meetings and for providing the opportunity for the first joint session of the two groups.

(The two groups then split to go to their separate meetings.)

3. OECD, as Chair, opened the meeting of the Task Force on Statistics of International Trade in Services, welcoming the new participants, who included the delegates from ECLAC, UNCTAD, WHO and the Bank of Japan. A list of participants is at Annex 1. The Agenda was approved and is attached at Annex 2.

UN Statistical Commission

4. UNSD informed the TFSITS that, following the intervention of some countries, the February 2008 Statistical Commission had requested that the revised recommendation on concepts and definitions of international merchandise trade statistics be harmonized to the extent possible with the updated recommendations for statistics of international trade in services, the balance of payments, and the system of national accounts. On presentational and harmonization grounds UNSD proposed a delay in the submission of MSITS to the Statistical Commission.

5. In the discussions there were requests for clarification on the differences between the Manuals and what needed to be done in practice to harmonise the material.

6. The meeting agreed that it was not appropriate to attempt achieving further harmonization by changing the conceptual frameworks of either the international merchandise trade statistics or the statistics of international trade in services. However, based on UNSD's proposal, the TFSITS decided to postpone its submission of MSITS, Rev.1 to the Statistical Commission until 2010 in order to allow more time to coordinate with the TFIMTS on compilation matters associated with
cross-cutting issues between goods and services and to ensure consistency with BPM6 and SNA93 Rev 1, which are still being fine tuned for release later this year.

7. This would allow a joint submission of both frameworks, MSITS Rev.1 and IMTS Rev.3 with a joint report to point out the co-operation that has taken place in producing these Manuals. In other respects the TFSITS will continue to follow its original schedule of work for revising MSITS, with a posting of draft chapters for public consultation in Summer 2008, aiming at a close to final text for release on its website in the first part of 2009. The TFSITS would endeavour to maintain a sufficient degree of public awareness and transparency so that users who needed to know the shape of MSITS proposals in advance of 2010 could readily access the draft texts on the Internet.

Trade and the Health Policy Interest

8. WHO provided a presentation on statistical information needs related to trade in health services. It highlighted the growing importance of the health sector, in developing as well as developed economies. This is true for consumption abroad (health tourism) and the example of Thailand was quoted, which claimed over a million foreign health-related visitors per year. There was also an increasing cross-border delivery of health services and delivery through mode 3 and mode 4, as well as an interest in the wider movement of health professionals, which was not trade in services. Data are very sparse and not harmonized. The need was for more and better data by mode of supply, not only to measure the trends and size of the traded health sector, but also to measure the openness of a country to trade in health services and the potential impact of liberalization agreements, given the recent increasing interest in bilateral, regional, and multilateral trade negotiations.

9. In summary the main requests were for health trade data by mode of supply, a single total for health in the balance of payments, possibly as an alternate aggregation, and a breakout of health insurance from insurance. WHO agreed to provide more information for the analytical annex, and would liaise with OECD.

Revision of the Manual (MSITS)

10. The structure of the revised Manual was presented by OECD highlighting the main changes – the new Chapter 5 on modes of supply, the proposed analytical annex, and posed the question of the need for new material on cross-cutting issues between goods and services in part to harmonise with the IMTS Manual.

11. Eurostat proposed a concordance between the original EBOPS and EBOPS rev 1. With this amendment the proposed structure was agreed in principle as a basis for the public consultation, leaving open the question and the form of new material on cross-cutting issues.

12. The subject of metadata publication guidelines was discussed. The TF agreed that a general recommendation in Chapter 1, which referred to existing metadata standards, would be appropriate.

Chapter 2 The Conceptual Framework

13. WTO presented briefly Chapter 2, which sets out the conceptual framework for statistics on international trade in services, with updated links to the revised related statistical frameworks. It was not discussed in detail, but the TF expressed appreciation to WTO for the clarity of the draft.
Chapter 3 on services in balance of payments

14. IMF presented a draft Chapter 3 on trade in services in the balance of payments. A number of questions were raised in the draft.

15. The terminology of “exports and imports” was preferred by the TF to “credits and debits”, but would need an explanatory paragraph indicating their broad equivalence in trade. There should be no BOP codes in the manual as these may be redeveloped in line with statistical data and metadata exchange (SDMX) discussions. The references to GNS/W/120 were still relevant and one should be included in paragraph 3.47.

16. ECLAC emphasized the need for a more developed discussion of the treatment of exports/imports flows without ownership changes, especially of goods for processing, free zones and manufacturing services. The new SNA and BPM6 treatment will imply changes on the coverage of exports and imports of goods and services with the correspondent effects on trade indexes, so it is necessary to be clear in the coverage of international trade flows. This could either be considered in extra material on cross-cutting issues in an Annex or in Chapter 3. The issues discussed included complementing Customs data by enterprise surveys; the needs of input-output analysis for commodity flow information; the issue of the economic ownership of goods needs to be analysed further as some data on ownership may need to be collected; manufacturing services in the reporting economy may be more important to record in detail than manufacturing services abroad; a question about implications for the calculation of trade indices; and a set of diagrams depicting international flows of processed goods would be helpful. Other cases mentioned were processing performed through mode 4 movements of people; and sub-contracting to local enterprises in free-zones. The TF agreed that the new BPM6 treatment of trade flows without changes in ownership, in particular manufacturing services was a cross-cutting issue that deserved high-priority study.

17. Regarding the use of the term “traveller”, it was proposed not to use it as has been done in BPM6. [UNWTO have since confirmed their agreement with the proposal.]

18. Health and Education breakdowns should follow the BPM6 structure. MSITS could provide more detail if sufficiently justified. The TF proposed to delete the last sentence of paragraph 3.83. Some extra text was needed in 3.84 explaining that the alternative product breakdown for travel was intended for travel for any purpose. The TF noted the WHO proposal for an alternate aggregation of health in EBOPS.

19. A reference to lottery and gambling services in footnote 60 should be checked against the revised SNA.

20. UNSD would provide IMF with some comments on the structure of the chapter. WTO proposed a cross-reference in 3.35 to the sections on distribution services in Chapter 5.

21. Regarding electricity transmission as well as production and distribution. There was a request for some brief text that explained some of the complexity of actual electricity market structures.
EBOPS

22. OECD set out the draft EBOPS proposals which align with BPM6 (Chapter 10) but provide a more disaggregated classification.

23. There was a discussion of the proposed breakdown of item 10.3.2 Waste treatment etc. The TF agreed to amend the proposal to have a three way breakdown with standard EBOPS items: waste treatment; agriculture; and mining. Waste treatment and depollution is often associated with Environmental services, which is of increasing analytical interest, although a standard definition is needed. UNCTAD, OECD/TAD and WTO agreed to work together to produce an alternative aggregation proposal on Environmental services.

24. Regarding software, audiovisuals, charges for the use of intellectual property, and R&D, there was a potential for further input from SNA task forces looking at the implementation of new SNA recommendations on intellectual property. In the box on Charges for the use of Intellectual Property the term “entertainment” was too vague and subjective. A specific name, perhaps “audiovisual products” would be clearer.

25. For 11.2.3 Other personal, cultural and recreational services, other the TF agreed to make the proposed breakdown into cultural services and sporting & recreational services solely in the description and not in the EBOPS.

26. The TF discussed the following alternative aggregations:-
   - The item Call centres should be developed and defined further, if possible in terms that were technology neutral.
   - For Affiliated-unaffiliated trade, the TF supported the proposal but only at the level of total trade in services.
   - The TF provisionally supported a proposed aggregation for computer software subject to SNA input.
   - Education and Health aggregations were in principle supported, but need elaboration.

27. On general EBOPS terminology, the TF agreed that the terms “EBOPS standard item”, “EBOPS supplementary item”, and “EBOPS memorandum item” be used in an analogous way to BPM6.

Chapter 4 on foreign affiliates statistics and the international supply of services

28. OECD introduced the draft Chapter 4, which is being revised to take into account OECD’s Handbook on Economic Globalisation Indicators (HEGI), the Benchmark Definition of Foreign Direct Investment (4th Edition) BD4, and the Eurostat Recommendations Manual on foreign affiliates. In the revised version of the chapter the coverage of FATS is defined as the foreign-controlled subset of foreign affiliates, where “foreign control” is deemed to exist, as in the framework for direct investment relationships FDIR, when there is majority ownership of the voting power by a foreign direct investor at each stage of the chain of ownership.

29. The TF agreed that the FATS data presentation example in table 4 should be expanded to a set of tables, split for inward/outward activity and partner country. Eurostat agreed to
report back on whether Eurostat data requirements by activity are different between inward and outward FATS. BEA comments were noted and accepted.

30. Comments on the chapter had been invited from the OECD Workshop on International Investment Statistics meeting on the same dates in Paris.

ICFA proposals
31. Eurostat presented a proposal for the revised ISIC Categories of Foreign Affiliates, based on the breakdown to be required in the EU Foreign Affiliates Regulation. This breakdown was the one for outward FATS, which is collected in relation to FDI statistics. The TF requested that Human health and social work activities be put in priority one, and computer services be separately identified in priority two. Eurostat would make the amendments and provide as well its inward FATS activity breakdown.

Chapter 5 on modes of supply
32. WTO introduced the revised draft of Chapter 5 on modes of supply. It was proposed to send the mode 4 text to migration specialists for review. It was noted that paragraphs 5.58-5.62 would need to be aligned to the concepts of Chapter 4.

33. The TF agreed on the need to be clear about remittances and services, to review paragraphs 5.64 and 5.65 on remittances to give a more positive wording. The text in Chapter 2 was very clear and could serve as the reference.

34. The table on page 27 needed some clarificatory text regarding how to interpret the table.

35. The title to the table on page 30 should include the word “simplified” before “allocation”. The lines for “Charges for intellectual property” should show as mode 1, as well as shaded i.e. not of interest to GATS. The TF agreed to add a footnote to the effect that the allocation may vary from country to country. There was a discussion of potential bias in the simplified allocation and whether or not the proportion of mode 4 should be roughly estimated by countries.

36. The TF concluded that the draft Chapter 5 was much improved and close to a complete product. The simplified allocation table for modes was helpful in understanding how modes correspond to EBOPS and FATS categories. But text was needed to emphasise that it is a simplification and to recommend that if particular items are important in an economy a further effort to improve the estimate is worthwhile.

A draft analytical annex
37. OECD presented a draft of the proposed analytical annex. The TF discussed this draft, whether the content was useful or relevant for the improvement of trade in services information, and whether an annex is the right place in the manual for this content.

38. Detailed observations included:
   • For the foreign services index, weights should apply equally inward as well as outward service supplies.
References to mode 4 datasets should be deleted as well as references to negative exports (in principle eliminated), and examples of merchanting (now in goods).

The indicators could be more clearly explained.

Banca D’Italia said there is a long list of reasons for asymmetries in trade in services which had been identified from Eurostat work, and that could be provided.

On page 19 UNCTAD suggested to limit the analysis to services data. In section 4.1 specify that the data are in current prices. In section 4.4 the “government services” line could be deleted.

The TF agreed that the content of the analytical annex adds value to the Manual, giving examples of the potential uses of the data, and noted the suggestions for improvements. The question of whether to present it as annex or otherwise was left open. The TF agreed to solicit opinion on whether to present it as an annex as part of the world-wide consultation. The TF expressed appreciation for the work done and requested a revised version.

The Tourism Satellite Account Annex

UNWTO had supplied a text to the TF that had been produced with the IMF, which identified changes that were needed in the TSA Annex.

Next steps in the Revision of the Manual

The TF discussed the worldwide consultation and envisaged letters going from UNSD, IMF, WTO, and Eurostat to their correspondents around the beginning of June 2008. The consultation would last around three months. The drafts of the Chapters and available annexes with questions would be posted on the Internet.

In order to prepare this, comments were requested to be sent to Chapter and Annex authors by 23 April. Authors should submit revised chapter and annex drafts by 5 May with draft questions for public consultation.

There would then follow a collective TF scrutiny of the revised texts and aim to approve them by 19 May.

The TF would prepare a worldwide consultation on MSITS for 2 June and post draft chapters 1 to 5 plus the Analytical Annex on the Internet.

The TF highlighted need for further work on Manufacturing services.

Technical Cooperation and relations with Regional Organisations

ECLAC reported on its activities in the area of international trade in services. These covered expert meetings, analytical work, statistics and research related to both trade in services and tourism in the Latin American and Caribbean region. There were plans to establish a research network on trade in services centred in Brazil. The TF welcomed the report and agreed on the importance of the presence of interested regional or sectoral agencies which should be notified and invited as appropriate.
TFSITS Website and Newsletter

47. UNSD presented a paper on the TFSITS website and newsletter with a number of questions for discussion. On the website the TF preferred not to remove the work of the Sub-group on movement of natural persons (mode 4).

48. The agenda and reports of the TF meetings should be posted on the website with any other papers that members wish to post. The public consultation with draft chapters and annexes should be posted.

49. Regarding the TF Newsletter, production of an annual edition was agreed. In 2009 this should be feature the final draft of the revised MSITS. ECLAC requested a link to databases on the website.

Date and location of next TF meetings

50. The next TF meeting would take place at OECD in Paris on 25 September 2008. A further meeting was planned for early 2009 (since confirmed as March 2009 in Bangkok) and will be arranged to allow a joint session with the Merchandise Trade Task Force.

N.B. The report of the first Joint session of the TFSITS and the TFIMTS is at Annex 3.
## Annex 1 List of TFSITS participants

<table>
<thead>
<tr>
<th>Participant</th>
<th>Organization</th>
<th>E-mail address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ms. Claudia De Camino</td>
<td>ECLAC</td>
<td><a href="mailto:claudia.decamo@cepal.org">claudia.decamo@cepal.org</a></td>
</tr>
<tr>
<td>Mr. Mushtaq Hussain</td>
<td>EUROSTAT</td>
<td><a href="mailto:Mushtaq.Hussain@ec.europa.eu">Mushtaq.Hussain@ec.europa.eu</a></td>
</tr>
<tr>
<td>Mr. Thomas Alexander</td>
<td>IMF</td>
<td><a href="mailto:talexander@imf.org">talexander@imf.org</a></td>
</tr>
<tr>
<td>Mr. Massimo Geloso Grosso</td>
<td>OECD</td>
<td><a href="mailto:Massimo.Geloso-Grosso@oecd.org">Massimo.Geloso-Grosso@oecd.org</a></td>
</tr>
<tr>
<td>Mr. William Cave</td>
<td>OECD Chair</td>
<td><a href="mailto:William.cave@oecd.org">William.cave@oecd.org</a></td>
</tr>
<tr>
<td>Ms. Bettina Wistrom</td>
<td>OECD</td>
<td><a href="mailto:Bettina.wistrom@oecd.org">Bettina.wistrom@oecd.org</a></td>
</tr>
<tr>
<td>Ms. Fabiana Ceresa</td>
<td>OECD</td>
<td><a href="mailto:Fabiana.ceresa@oecd.org">Fabiana.ceresa@oecd.org</a></td>
</tr>
<tr>
<td>Mr. Norihiko Yamano</td>
<td>OECD</td>
<td><a href="mailto:Norihiko.yamano@oecd.org">Norihiko.yamano@oecd.org</a></td>
</tr>
<tr>
<td>Mr. Robert Hamwey</td>
<td>UNCTAD</td>
<td><a href="mailto:robert.hamwey@unctad.org">robert.hamwey@unctad.org</a></td>
</tr>
<tr>
<td>Mr. Ronald Jansen</td>
<td>UNSD</td>
<td><a href="mailto:jansen1@un.org">jansen1@un.org</a></td>
</tr>
<tr>
<td>Mr. Matthias Helble</td>
<td>WHO</td>
<td><a href="mailto:helblem@who.int">helblem@who.int</a></td>
</tr>
<tr>
<td>Mr. Andreas Maurer</td>
<td>WTO</td>
<td><a href="mailto:andreas.maurer@wto.org">andreas.maurer@wto.org</a></td>
</tr>
<tr>
<td>Mr. Giovanni Giuseppe Ortolani</td>
<td>Consultant, Banca D'Italia</td>
<td>giovannigiuseppe <a href="mailto:ortolani@bancaditalia.it">ortolani@bancaditalia.it</a></td>
</tr>
<tr>
<td>Ms. Kuniko Moriya</td>
<td>Consultant, Bank of Japan</td>
<td><a href="mailto:kuniko.moriya@boj.or.jp">kuniko.moriya@boj.or.jp</a></td>
</tr>
<tr>
<td>Mr. Michael Mann</td>
<td>Consultant, US Bureau of Economic Analysis</td>
<td><a href="mailto:michael.mann@bea.gov">michael.mann@bea.gov</a></td>
</tr>
</tbody>
</table>
Annex 2

Meeting of the Task Force on Statistics of International Trade in Services (TFSITS)
26-28 March 2008
UNIDO, Vienna International Centre, Vienna

Agenda

Wednesday 26 March 9.30
1. Welcome and Opening  Room C0713/15 - UNIDO (Joint session with TFIMTS)
   TFSITS and TFIMTS split and go to separate meetings
2. TFSITS Adoption of the agenda  Room C0727
3. Report from the UN Statistical Commission and issues regarding MSITS timetable
   - TFSITS (2008) 02 UNSD
4. Trade and the Health Policy Interest
   - Presentation by WHO
5. Revision of the Manual on Statistics of International Trade in Services (MSITS)
   a. Review and finalization of drafts of a revised MSITS for Worldwide consultation
      i) Overall structure, other chapters, annexes and concordances – TFSITS (2008) 11
      ii) Chapter 3 trade in services in the balance of payments – TFSITS (2008) 03 -IMF
      - proposals and options for EBOPS revision – TFSITS (2008) 04 OECD and IMF
      - proposals for ICFA revision – TFSITS (2008) 06- Eurostat

Thursday 27 March 9.30
5a continued: Room C0727
   iv) Chapter 5 Modes of supply (including new section on Mode 4) – TFSITS (2008) 07 - WTO
4. Knowledge transfer and technical cooperation
   - Trade in services work in the ECLAC region - TFSITS (2008) 13 - ECLAC
   - Working with more regional or sectoral international organizations - OECD
5. TFSITS Website and Newsletter – UNSD
   - Discussion of TFSITS communications aims with data compilers and users
     - TFSITS (2008) 14 - UNSD
6. Any other business
7. Date and location of next TF meeting (provisionally at OECD in Paris 25 September)
Friday 28 March 9.30

Joint Session of the Inter-agency Task Forces on International Merchandise Trade Statistics and Statistics of International Trade in Services

VIC Conference Room VII

Draft Agenda

1. Adoption of the Provisional Agenda
2. Report from the UN Statistical Commission - UNSD
3. Cross-cutting issues – a *modus operandi* for joint meeting(s)
4. Coverage of trade statistics for selected issues – the cases of goods for processing, merchanting, software and intra-firm trade of multinationals (treatments in customs, IMTS, BoP, SNA, classifications and the respective data collection) – Discussion Document – WTO and OECD
5. Coordination with SNA Globalization Group
6. Recommendation of the Joint Session and future work

*Note:* The TFIMTS and TFSITS met in parallel sessions on 26-27 March 2008
Annex 3


Introduction

1. The first Joint Session of both Task Forces took place in Vienna following the inter-agency Task Forces' respective meetings. The Session was opened by Mr Shyam Upadhyaya, Chief Statistician of UNIDO and was jointly moderated by the two Task Force Chairs. The agenda is at Annex 1 and the list of participants at Annex 2.

2. It was highlighted that ongoing revisions of statistical frameworks and classifications such as SNA, BPM, CPC and ISIC pose a number of challenges to trade statistics that require a joint approach to goods and services measurement. The stricter application of the change of ownership principle with respect to goods for processing and the changing business and production practices resulting in offshoring and increased intra-firm trade demand adequate responses from trade statisticians. These need to be coordinated and harmonized as much as possible in the respective frameworks for measuring trade in merchandise (IMTS) and services (MSITS).

Report from the UN Statistical Commission

3. To foster an integrated economic statistics approach, the Joint Session was informed that countries at the 39th Session of the Statistical Commission had requested that the revised recommendations for international merchandise trade statistics be harmonized to the extent possible with the new and updated recommendations for statistics of international trade in services, the balance of payments, and the system of national accounts. The meeting agreed that it was not appropriate to attempt achieving further harmonization by changing the conceptual frameworks of either the international merchandise trade statistics or the statistics of international trade in services. However, based on UNSD's proposal, the TFSITS decided to postpone its submission of MSITS, Rev.1 to the Statistical Commission until 2010 in order to allow more time to coordinate with the TFIMTS on compilation matters associated with cross-cutting issues between goods and services and to ensure consistency with BPM6 and SNA93 Rev 1, which are still being fine tuned for release later this year. This would allow the submissions of both revised manuals, MSITS Rev.1 and IMTS Rev.3 at the same Session with a joint background report to point out the co-operation that has taken place. The TFSITS will continue to follow closely its original schedule of work for revising MSITS, with a posting of draft chapters for public consultation in Summer 2008, aiming at finalising a close to final text for release on its website in early 2009.

Cross-cutting issues – a modus operandi for joint meetings

4. The meeting agreed that no specific additional formal settings were needed for the joint meetings. Unless a need arises for further arrangements, to be agreed upon, OECD and WTO as the respective chairs of the Task Forces would co-chair these joint sessions and jointly liaise with other inter-agency groups, when needed. To maintain as far as possible the existing working arrangements, public information on the meetings could be included and cross-referenced on the respective Task Forces' websites and could be mentioned in the progress reports of the respective Task Forces to the UN Statistical Commission in 2009. OECD agreed to open up the EDG already used by TFIMTS to include TFSITS participants for disseminating working documents and facilitating virtual discussions. To this end, a new category for the joint session will be included in the
EDG. For efficiency, TFSITS members could also post their “historical” information on this EDG if they so wish. In that case, the overall name of the EDG site would need to be reviewed accordingly.

**Coverage of trade statistics for selected issues – the cases of goods for processing, merchanting, software and intra-firm trade of multinationals**

5. Following discussions of the individual Task Forces, the joint session was informed that merchandise trade statisticians strongly support continuing to register goods entering/leaving the economic territory for inward or outward processing. The TFIMTS noted that new business practices increasingly involve trans-border transactions without a corresponding change of ownership. Keeping track of these trade flows on a gross basis, irrespective of change in ownership, would preserve the existing stock of precious information on sectoral and international trade developments, especially for developing countries where processing goods for exports is a key component of the industrialization strategy. Such a practice would also preserve the relevance and usefulness of trade statistics for the analysis of sectors in industry and transport as well as in national accounts (input-output matrices). The participants also noted that registering only manufacturing services instead of trade in goods would result in a loss of valuable information as the classification for merchandise (customs) is much more detailed than the one used for goods or services in balance of payments. In addition, both Task Forces expressed their concern that if this information is no more required for BOP purposes, compilation of it may be discontinued in some developing countries due to resource constraints.

6. For balance of payments purposes gross flows may be shown in addition, however, only the processing fee should be recorded as manufacturing service on inputs owned by others. Questions were raised as to the strategy for data collection to reconcile trade flows between merchandise trade statistics on one hand and balance of payments and national accounts on the other. If merchandise trade statisticians continue to record gross flows, would balance of payments statisticians survey the processing fee, as well as transportation and insurance data, complementary to the two data sets? How to link bilateral/multilateral flows in order to identify which goods are inputs and which are outputs after processing? These questions also impact on institutional arrangements to maintain the coherence and integrity of the national economic statistical framework in countries where data collection is decentralised between central banks, national statistical offices and line ministries.

7. The Joint Session felt that the data collection problem introduced through a stricter application of the change of ownership principle will lead to a greater divergence of trade aggregates presented in different frameworks. To that end, a group led by OECD and composed of IMF, UNIDO, UNSD and WTO will produce a brief issues paper for the forthcoming Working Group on Globalization on National Accounts, to be held in Geneva, 23-24 April 2008. A more substantive report will be produced afterwards.

8. As a further cross-cutting issue, and in relation to goods for processing, the Joint Session discussed also intra-firm trade measurement. With the increasing vertical integration of large firms and the generalization of international production sharing, intra-firm trade is an important dimension of international trade. But a stricter application of the change of ownership principle for recording international transactions means that actually less information may become available in future. The TFSITS recalled that there was a need to strengthen data collection on foreign affiliates (FATS). Also, the participants noted that the valuation of intra-firm transactions may present specific difficulties, as they may not reflect the full market prices (transfer pricing) in order to take advantage of fiscal or tax regulations. Identifying intra-firm trade was a challenge by itself, due to the complexity of corporate ownership. The successful linking of trade and business registers, orchestrated by Eurostat and OECD was mentioned as a promising and “zero cost for respondents” data collection tool which generates new statistics in high demand, namely the economic and enterprise (size classes) characteristics of traders. The meeting concluded that to measure intra-firm trade it would need to analyse more thoroughly the various
dimensions of intra-firm trade statistics. Starting with the issue of valuation of transactions, it was decided that both WCO and OECD (transfer pricing principle) would provide additional information on their respective work in this area through the EDG. The paper will be reviewed at the next joint meeting.

9. Other issues such as merchanting, repair and software were also discussed, albeit in less detail as there was less pressure for defining conceptual issues or appropriate data collection strategies. For software, however, a question was raised as to what extent CPC deviated from the HS classification in terms of recording media such as disks with and without content or software included in computers. With the increasing availability of downloaded software in comparison to on disks stored software, it was also questioned to what extent non-customized software recorded on media with a perpetual licence should be recorded as a service (current recommendation is to record it as a transaction in good). While there is still work carried out by other Groups (OECD Group on Software in National Accounts), it was highlighted that the statistical community of trade statisticians should specify its needs.

10. Other cross-cutting issues that were identified during the Task Force meetings for further consideration by the joint meeting of the two task forces included e-commerce, goods for recycling, distributive services and valuation problems (cif/fob).

11. On classifications, OECD introduced ideas on a "new classification or framework" highlighting that trade statisticians coming from different statistical frames, be it merchandise or balance of payments, would need a common classification of trade in products to facilitate their analysis. The only full product classification existing is CPC but the structure does not fully satisfy analytical needs of either trade or production. There would be a demand for a broader classification whose building blocks would need to be compatible with needs for analysing trade, production or I/O tables. It was decided that OECD would refine and populate this suggestion for a classification or framework further (similar to the ICT approach) and present first results at the forthcoming WPTGS September meeting at OECD.

Decisions

Liaison with Working Group on the Impact of Globalization on National Accounts

12. It was decided that OECD and WTO as co-chairs would report concerns of this meeting in respect of goods for processing (data collection and valuation) to the above Working Group. Due to the short time available, only a short statement presenting the relevant issues and the Task Forces points of view should be prepared, while a more substantial paper on this subject will be developed for the next Joint Session (see paragraph 7).

Recommendation of the Joint Session and Future Work

13. In addition to virtual discussions through the EDG, the Joint Session decided to hold further meetings back-to-back with the Task Forces. Options could be to have a 2+1 arrangements of meetings or 1.5+1.5 with items only for information that would not need a presentation to allow for a more substantial discussion of selected topics. Most delegates prefer to maintain the present 2+1 option for the next meeting, due to the work load of each Task Force.

14. The cross-cutting issue of the valuation of intra-firm transactions in goods and services will be reviewed at the next meeting, on the basis of documents provided by WCO and OECD (see item 8).

15. Other issues of mutual interest will be discussed through the EDG.
16. As for the next meeting, it was decided to inquire with ESCAP/Bangkok about their possible hosting of the meeting as this region is of particular importance in a globalization context. WTO will contact ESCAP on this option. Alternatively, other organizations (UNSD or possibly ESCWA) informed of their willingness to host the meetings. March, April or May were mentioned, however, exact location and dates will have to be worked out depending on the participants' availability.