

# **Report of the Joint Session of the Inter-Agency Task Forces on International Merchandise Trade Statistics and Statistics on International Trade in Services, Bangkok, 12 March 2009**

## **Introduction**

1. The second Joint Session of both Task Forces took place in Bangkok, again following the two inter-agency Task Forces' respective meetings. The Session was chaired by Mr. Andreas Lindner (OECD) and Mr. Andreas Maurer (WTO). The agenda is shown in Annex 1 and the list of participants in Annex 2.

## **Report from the UN Statistical Commission and Working Group on the Impact of Globalization on National Accounts**

2. Based on last year's discussions, the WTO submitted a letter to the Working Group on the Impact of Globalisation on National Accounts (WGGNA), expressing its concerns with the national accounts decision on the more strict application of the ownership principle. WGGNA took note of these concerns in its preparation of a research agenda for highlighting distortions on national accounts and improving data accuracy. This research agenda will be further developed and filled during the Group's meeting from 11-13 May 2009.

3. The Joint Session also pointed out that while the decision has been taken on conceptual ground, it requires now substantive work at compilers level to ensure – inter alia – proper recording of "goods for processing (without change of ownership)", i.e. *naming of data sources to collect trade in goods shipped for processing, the identification of intra-firm trade, and the valuation of respective transactions*. It was highlighted that International Organisations now should shift to developing operational guidance on compilation issues.

## **UN Statistical Commission and international consultation on trade statistics**

3. The UNSD reported on the international consultation on trade statistics during the UN Statistical Commission (side meeting). Next year's Statistical Commission is going to focus on trade statistics as one of its major items for discussion and is also offering again a consultation of major actors in international trade statistics. Issues mentioned at the last consultation include the finalisation of the Manuals (IMTS and MSITS 2010), respective implementation plans and the development of compilation guidance, the importance of WCO taking part in the IMTS revision due to the importance of customs as data source (Customs 21<sup>st</sup> Century initiative), and the focus on improving data quality (partner data, export processing zones, and the use of non-customs sources). Other issues included the importance of new data sources through linking trade and business registers as a good example of more integrated economic statistics compilation, the timeliness of analytical results derived from trade statistics, and secondary data dissemination in relation to the private sector. *In concluding this agenda item, it was highlighted that the Task Forces' report to the Statistical Commission should highlight the transparent process of revising the Manuals, the good co-operation between the task forces, and include some advocacy for the importance of these statistics in a global world.*

## **Coverage of trade statistics – goods for processing and intra-firm trade of multinationals**

4. Starting off from the revision of IMTS, a WTO paper with some input from OECD highlighted that strictly spoken for merchandise trade statistic there would be no change in reporting trade with processing zones (gross reporting). However, the difference in trade aggregates published within the national accounts and balance of payment frameworks may increase and contribute to the user's confusion. Bridge tables between the two systems to reconcile aggregates therefore become more important.

5. The meeting decided to keep the document that summarised all relevant aspects with respect to goods for processing and intra-firm trade as a living document, complement it with real data examples and present it to OECD's Working Party on International Trade in Goods and Trade in Services Statistics (WPTGS). The document should further include aspects that relate to the value added chain analysis (outsourcing/offshoring). The latter aspect is increasingly becoming an important measurement issue through the rapid growth of trade in unfinished goods and increasing value added derived from business services.

### **Alternative presentation of trade by product**

6. Following up on earlier work, OECD presented an alternative presentation of goods and services. The rationale behind is the need to relate trade statistics to supply-utilisation tables and Input-Output tables for being able to produce integrated trade statistics by product and by activity. As a corollary, such a presentation could also improve the analytical linkage to production, employment, enterprise statistics, multinationals and FDI. This presentation was found useful and should be followed up by more work on conceptual issues (e.g. product-activity links) and a work plan strategy. This strategy should contain: developing correspondence tables for services between CPC 1.1 and ISIC Rev. 3, and CPC1.1 and EBOPS; use for goods the existing correspondence between HS02, SITC rev.3. CPC 1.1 and ISIC Rev 3.1; merge results to obtain trade by product (CPC 1.1) and by industry (ISIC Rev. 3.1). A test with actual data should be carried out and reported to the next WPTGS meeting at OECD in November, the next Joint Task Force meeting, and UN (Classification Subgroup, and CSSA). As there is no one-to-one correspondence in many cases, estimates and good metadata documentation are of particular importance.

### **Software – the final decision**

7. The origin of this issue stems from the national accounts need to distinguish licences for consumption from those considered GFCF and the difficulties in allocating software to goods or services. OECD proposed a grouping where only computer software licences, non-customized and on a physical media with right for perpetual use should be included under “goods”, the rest being allocated to “services”, including licences to reproduce and/or distribute software. The HS, which is designed for classifying goods physically presented to customs officers, is also silent regarding (1) electronically transmitted software and other data, (2) licenses for duplication and (3) a distinction between single-copy custom contract sales on the one hand and mass-produced quantity shipments on the other. It was noted that the WCO HS no longer distinguishes between recorded or unrecorded media, but emphasizes the type of the media (optical etc.). The problem of double-counting was stated by several participants.

### **Governance issues on managing the two Task Forces**

8. This issue has been raised not because of any urgent necessity, but rather in the spirit of a periodic stocktaking of governance issues to be optimally prepared for future tasks. There was agreement amongst all participants that the status quo be maintained (that is, WTO chairs TFIMTS and OECD chairs TFSITS, and both co-chair the Joint Session). The present system works well and the priority of the TFs will move from manual conception and drafting to compilation guidance for implementing the new versions of manuals/concepts and definitions. Also the present format of 2 days parallel session plus 1 day Joint session should be maintained. No “information items” to be added to “discussion items”. The group acknowledged that the present system is heavy on resources, but sees no viable alternative.

### **Recommendation of the Joint Session and future work**

- Priority on cross-cutting issues and compilers guidance
- Identify data sources to collect trade in goods shipped for processing, intra-firm trade, and related transactions.
- Develop a more integrated statistical view for both goods and services, including joint dissemination
- Trade by enterprise characteristics and (more generally) data quality
- Trade and the need for enterprise surveys for specific aspects
- Increased consultations between WCO and statistical agencies, with a view towards obtaining recognition among national customs agencies of the need for (and value of) improving international statistical programs.
- The report to the Statistical Commission should highlight the transparent process of revising the Manuals, the good co-operation between the task forces, and include some advocacy for the importance of these statistics in a global world.
- Keep the document on goods for processing and intra-firm trade as a living document (for instance add examples) and present progress to the OECD's WPTGS.
- Long-term roadmap: globalisation and trade statistics are the “glue” for better aligning in a non-contradictory way the work of both TFs

### **Time and place of next meeting:**

ESCWA proposed to host the 2010 meeting late 2<sup>nd</sup> half of March or last week in April in Beirut. The group thanked ESCWA for the willingness to act as host. OECD offered to act as backup in case the meeting cannot take place in Beirut. Eurostat made a similar backup proposal.

## **Annex 1: Provisional Agenda**

### **JOINT SESSION OF THE INTER-AGENCY TASK FORCES ON INTERNATIONAL MERCHANDISE TRADE STATISTICS AND OF STATISTICS ON INTERNATIONAL TRADE IN SERVICES**

*Bangkok, 12 March 2009*

#### **Provisional Agenda**

- 1. Adoption of the Provisional Agenda**
- 2. Report from the UN Statistical Commission and Working Group on the Impact of Globalization on National Accounts**
- 3. Coverage of trade statistics – goods for processing and intra-firm trade of multinationals**
  - i) Treatments in customs, IMTS, BoP, SNA, classification and data collection
  - ii) Trade value added linkages
- 4. Alternative presentation of trade by product**
- 5. Software – Final decision**
- 6. Governance issues on managing the two Task Forces.**
- 7. Recommendation of the Joint Session and future work**
- 8. Any other business.**

## Annex 2: List of Participants

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