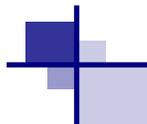


OF THE INTERAGENCY TASK FORCE ON STATISTICS OF INTERNATIONAL TRADE IN SERVICES

N°3 - December 2007



FOCUS

REPORT OF THE INTER-AGENCY TASK FORCE ON STATISTICS OF INTERNATIONAL TRADE IN SERVICES TO THE UN STATISTICAL COMMISSION

Dear Reader,

Since the report to the thirty-sixth session of the UN Statistical Commission in 2005, the priority of the Task Force on Statistics of International Trade in Services (TFSITS) has been to plan and manage the process of the revision of the Manual on Statistics of International Trade in Services and to contribute to the revision of related frameworks such as the IMF Balance of Payments Manual. The Task Force's Technical Sub-group on Movement of Natural Persons (TSG), convened by UNSD, has completed its work producing recommended definitions of Remittances in the Balance of Payments and developed basic concepts related to measuring Mode 4 supply of services. The TSG was disbanded in 2006.

Revision of the Manual on Statistics of International Trade in Services

Although the Manual on Statistics of International Trade in Services (MSITS) was first published as recently as 2002, an updating became necessary with the revision of the System of National

Accounts, the Balance of Payments Manual, ISIC and CPC classifications and publication of or revisions to a number of other related statistical frameworks. The extent of the changes necessitated by and related to trade in services in these other frameworks, led the TFSITS to speak of a revision rather than an updating. The revision nonetheless was planned to be limited in scope but could incorporate some improvements to the Manual, where these were in line with the basic 2002 framework.

The process of the revision of MSITS began with a worldwide consultation on issues for the revision in the summer of 2006. The questionnaire set out the reasons for the update, the timetable, and had specific questions on a range of identified issues for the revision. It was sent to all national statistics offices by UNSD, to all balance of payments correspondents by IMF, and by WTO to all its national trade delegations. The document was also sent to a wide range of interested international organizations. It was made available in five languages:- Arabic, English, French, Russian and Spanish, and placed on the UNSD

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¹ TFSITS is comprised of the following members: the United Nations Statistics Division (UNSD), the Statistical Office of the European Communities (Eurostat), the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD), the United Nations Conference on Trade and Development (UNCTAD), the World Trade Organization (WTO) and the World Tourism Organization

on 19 September 2007, which was attended by more than 40 countries from all continents. At its 20-21 September 2007 meeting the TFSITS discussed the proposals and a set of draft chapters and annexes. This was followed by a period for further written comments.

Proposed Structure of the Revised Manual

The Task Force proposes the following general structure with some broad changes to the MSITS, while proposals for a number of detailed changes are yet to be agreed:

Chapter 1 Foundations of the Manual: general introduction and overview

Chapter 2 Conceptual framework for the development of statistics on international trade in services

The detailed discussion on modes of supply will be removed, expanded and incorporated in a new chapter 5 on modes of supply. Chapter 2 will include a description of the links to other related statistical frameworks.

Chapter 3 Services transactions between residents and non-residents

This chapter discusses service transactions in the balance of payments and will incorporate changes from the revised balance of payments manual (BPM6). The goods and services account of BPM6 will provide the high-level structure for the revised Extended Balance of Payments Services (EBOPS) Classification. Notable new items are *Manufacturing services on physical inputs owned by others*, and *Repairs and maintenance n.i.e.* Telecommunications is split from postal services and grouped with computer and information services. Financial services will include FISIM, and the definition of insurance services is amended in line with the revised SNA. The content of the royalties and license fees category is clarified and is renamed to *Charges for the use of intellectual property*. Merchanting of goods is removed from services and will be included with trade in goods. Most responses from the worldwide consultation advised no significant change in the level of detail of EBOPS, currently about 75 categories. A number of specific changes were suggested. It is proposed to eliminate a few little used EBOPS items and any redundant memorandum items and introduce a

Provisional Timetable

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 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

limited number of new EBOPS and memorandum items. In this vein a provisional list of proposed changes to EBOPS has been identified based on countries' suggestions and this will be further refined. It is proposed to improve the descriptions of services in the chapter.

Chapter 4 Foreign Affiliates Statistics and the international supply of services

Since MSITS was published in 2002, there have been a number of important developments related to foreign affiliates statistics (FATS) and an increasing policy interest in them. Firstly the OECD Handbook on Economic Globalisation Indicators was published in 2005, early drafts of which were the basis for the original MSITS Chapter 4. Secondly the Regulation of the European Parliament and of the Council on Community statistics on the structure and activity of foreign affiliates was approved in June 2007. Eurostat has also published a Recommendations Manual on the

Production of Foreign Affiliates Statistics in 2007. Thirdly the draft OECD Benchmark Definition of Foreign Direct Investment 4th edition (BD4), due to be finalised in spring 2008, has a chapter on FDI and Globalisation with recommendations on statistics on the activity of multinational enterprises, which includes FATS.

The Task Force has been concerned to ensure that the revised FATS chapter in MSITS should be consistent with these other texts. While each text has a slightly different focus and the MSITS has a particular interest in the GATS and supply of services through a foreign commercial presence, nonetheless the basic framework of statistics on the activities of multinational enterprises and their foreign affiliates should be the source of information for each with a maximum of international comparability. With this basic aim the OECD has produced a draft text, with considerable assistance from US BEA, which is aligned with the latest draft of BD4

Information about the SNA update and BPM5 revision is available at <http://unstats.un.org/unsd/nationalaccount/snarev1.asp> and www.imf.org/external/np/sta/bop/bopman5.htm.

Proposed EBOPS high-level structure (following BPM6)	Exports (CR.)	Imports (DR.)
1 Manufacturing services on physical inputs owned by others		
2 Repairs and maintenance n.i.e.		
3 Transport		
4 Travel		
5 Telecommunications, computer, and information services		
6 Construction		
7 Insurance and pension fund services		
8 Financial services		
9 Charges for the use of intellectual property		
10 Other business services		
10.1 Research and development services		
10.2 Professional and management consulting services		
10.3 Technical, trade-related and other business services		
11 Personal, cultural, and recreational services		
12 Government services n.i.e.		
Total services		

Chapter 8 on FDI and Globalisation, which in turn was closely coherent with the OECD Handbook and the original MSITS Chapter 4 text. Text specific to the trade in services interest is retained in the MSITS chapter. A number of issues had been identified for discussion.

On the title of the chapter, the Task Force supported the proposed new title *“Foreign affiliates statistics and the international supply of services”*. The TFSITS considered that this would help to reduce confusion by making clear that foreign affiliates statistics were not a part of international trade in services but were relevant to measuring the commercial presence mode of supply and related market access issues. The acronym FATS was to be kept, with an explanation of the link to statistics on the activity of multinational enterprises (AMNEs).

The issue of continuing to use “majority ownership” as the target criterion for FATS was discussed. The Eurostat Foreign Affiliates Regulation used the concept of “control”, where a controlled affiliate is majority owned. This was also the concept favoured by the OECD Handbook. Control could be transmitted along the chain of ownership provided that at each step (i.e. for each intermediate affiliate) there existed majority ownership. This issue would be addressed in the revised Chapter 4.

Majority ownership is defined as the majority ownership of ordinary shares or voting power and this is in line with the OECD Handbook and the revised OECD Benchmark Definition.

The TFSITS supported proposed additions to the text to emphasise the

need for international aggregation without double counting of outward FATS. This could be achieved by identifying the subset of outward foreign affiliates for which the reporting country was the country of residence of the ultimate controlling institution. The TFSITS supported also the inclusion of a new variable “purchases of goods and services”, which would be in the list of recommended variables for inward FATS.

The measure of employment was discussed regarding the merits of using number of persons employed or full-time equivalents. It was agreed that consistency with other related frameworks such as national accounts was necessary. There was a suggestion to include a gender breakdown of employment.

The IMF Balance of Payments Statistics Committee meeting in October 2007 identified a need for more education on the use of foreign affiliates statistics in the context of international trade in services analysis. It proposed a joint article to be prepared with OECD and Eurostat.

Chapter 5 Measuring modes of supply

WTO has developed a draft of the proposed new Chapter 5 on modes of supply of services, including material on mode 4, and the measurement of supply of services by mode. The TFSITS reviewed the draft and provided detailed comments.

A request was made for a general table providing an approximate allocation of EBOPS items and FATS by mode of supply.

THE MANUAL ON SITS
IS AVAILABLE AT
[http://unstats.un.org/
unsd/tradeserv/
manual.htm](http://unstats.un.org/unsd/tradeserv/manual.htm)

Proposed Annexes to the Manual

- I EBOPS
- II Concordance between EBOPS 2009, CPC version 2.0 and GNS/W/120
- III Approximate concordance between EBOPS 2009 and ICFA (based on ISIC revision 4)
- IV Extract from the GATS
- V GNS/W/120
- VI MSITS and Tourism Satellite Accounts
- VII Analytical Annex

Following widespread support for an analytical annex in the consultation process, OECD has prepared an outline of an analytical annex that would provide countries with guidance and a set of tools to analyze and add value to basic statistics on trade in services and FATS. The TFSITS has reviewed a preliminary draft annex and provided comments.

Progress and next steps in the revision of MSITS

Progress to date:

- Spring 2006 Preparation of issues paper on updating of MSITS
- May to July 2006 Worldwide consultation on issues for updating of MSITS.
- August 2006 to January 2007 TFSITS summarised and reviewed in detail the comments from the worldwide consultation and commenced drafting of chapters and annexes.

The TFSITS agreed the following next steps and timing in the revision process:

- TFSITS comments on the draft

chapters (2, 4 and 5), EBOPS, and analytical annex were provided by end October 2007;

- OECD would redraft EBOPS in line with draft BPM6 proposals by December 2007;
- Chapters 2, 3, 4 and 5 together with the TSA and analytical annexes to be redrafted by authors by end February 2008;
- ICFA proposals in ISIC rev 4 to be developed by Eurostat by end February 2008;
- Following a March 2008 TFSITS meeting to review the redrafted MSITS chapters, a worldwide consultation on MSITS proposals would be commenced in May 2008 to last three months;
- TFSITS to review comments and final draft preparation autumn 2008;
- The TFSITS and its agencies would take opportunities for presentation to and discussion of MSITS proposals with expert groups/seminars throughout 2008;
- Preparation of final draft MSITS including annexes and submission to UNSC December 2008;
- Prepare publication 2009. ■



PAST EVENTS

Twenty-third Meeting of the Interagency TFSITS, Paris, September 2006

TFSITS met at OECD, Tour Europe in Paris on 15 September 2006 and discussed a preview of the draft BPM6, made available by IMF. The main attention was given to the classification of services trade and the need to revise *Other business services*, which represents a very large proportion, about 25%, of total services and seems badly balanced now that merchanting and processing of goods had been moved. TFSITS made a proposal to split and restructure this item and recommended it to the IMF BOPCOM for inclusion in BPM6. TFSITS suggested that education and health fees are split but kept within the item Travel. Regarding the

treatment of downloading online content, TFSITS agreed to recommend to keep this in services and not in goods.

A worldwide consultation for the update of MSITS had been conducted in May 2006 requesting responses by end July 2006. The results overall indicated a desire for minor changes to the first version of MSITS. In particular to EBOPS, minor changes were suggested 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. TFSITS agreed to consider a clearer separation of discussion on inward and outward FATS. ■

Twenty-fourth Meeting of the Interagency TFSITS, Madrid, January 2007

TFSITS met at the World Tourism Organization in Madrid from 22 to 24 January 2007. TFSITS received and noted progress reports on the updates of BPM6, 1993 SNA Rev1 and the other frameworks. It noted with satisfaction that these were broadly on track regarding timetable as the MSITS update depends on their inputs. TFSITS noted the practical problems of including FISIM in trade in services and the need for further guidance. It also agreed that further clarification was needed regarding the criteria for durable and valuable goods in the BOP travel context.

TFSITS confirmed that the partner country dimension would be included in each recommendation involving trade in services regarding EBOPS, FATS and FDI. TFSITS confirmed the decision to develop the detailed discussion on modes of supply in Chapter 5. TFSITS agreed that downloadable products should be classified with services associated with their production. TFSITS supported a proposal to change the term FATS to "Foreign Affiliates Statistics", while maintaining its abbreviation, and also supported further development of material for the proposed

Twenty-fifth Meeting of the Interagency TFSITS, Paris, September 2007

TFSITS met at the OECD in Paris on 20-21 September 2007. IMF presented the latest draft of the BPM6 Chapter 10 focussing on the proposed treatment of intellectual property transactions, which had not yet been finalised. Another major discussion related to the update of the Manual on Statistics of International Trade in Services (see pages 1 and 2 for further information). TFSITS discussed and agreed the following recommendations about royalties and license fees:

- **downloaded products were to be allocated to the appropriate service**
- **products obtained with a license to use (whether single payment or multiple payments) were to be allocated to the**

appropriate service [even if the product has an embodied good such as a DVD or CD-ROM]

- **sales and purchases of originals were to be allocated to the appropriate service trade in services statistics.**
- **included in royalties and license fees:**
 - franchising fees;
 - fees for the use of registered trademarks;
 - amounts payable and receivable for the authorized use of proprietary rights arising from research and development (such as patents, trade secrets, copyrights); and
 - amounts payable and receivable for the authorized use, through licensing agreements, of produced originals or prototypes (such as copyrights on manus-

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WEBSITE

[http://unstats.un.org/
unsd/tradeserv/
taskforce.htm](http://unstats.un.org/unsd/tradeserv/taskforce.htm)

-cripts, computer distribution. cable/satellite broadcast etc), for subsequent production and/or software, cinematographic works and sound recordings, as well as live performances and television.

TFSITS discussed the proposals for the revision of EBOPS. For *Insurance and pension fund services*, the sub-items should be given a hierarchy to align them with BPM6. A suggestion that the reporting of exports could be more detailed than reporting of imports was discussed but not supported on the

grounds that this could convey the impression that imports were in some sense less important than exports. The issue of using “majority ownership” as the target criterion for FATS was discussed, be it defined as the majority ownership of *voting power* or defined in terms of *control*. The measure of employment was discussed regarding the merits of using number of persons employed or full-time equivalents. It was agreed that consistency with other related frameworks was the important factor. ■

UPCOMING EVENTS

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

Because the borderline between goods and services in modern business practices is now somewhat blurred, the activities of the inter-agency Task Forces on International Merchandise Trade Statistics (TFIMTS) and on Statistics of International Trade Services (TFSITS) are increasingly inter-linked. While concepts and definitions often are determined by the System of National Accounts, for example, the stringent application of change of ownership principle, data collection and implementation of appropriate tools is done at subject-matter level. It is clear that these tools need to be designed in such a way that they can satisfy needs of their respective users and also of those of

other statistical frameworks of a country for which they are the foundation. The recent decisions on a change of the statistical treatment on goods for processing or merchanting underline this. New economic phenomena such as the measurement of intra-firm trade, foreign affiliates trade statistics, offshoring or more disaggregated data needs at business level (link of trade and business registers) are appearing which often require a view of trade flows in all products, that is, in both trade in goods and services. Therefore, a joint meeting has been organized on 28 March 2008 in Vienna immediately after the twenty-sixth meeting of TFSITS. ■

TECHNICAL COOPERATION

Past and Future Events

A number of expert meetings and training workshops on trade-in-services statistics in the recent past or planned are listed below.

- ASEAN Trade-in-services statistics workshop 4-8 September 2006 Kuala Lumpur
- OECD-Eurostat Expert meeting on Trade-in-services Statistics 13-14 September 2006 Paris
- ESCWA trade in services workshop in Cairo, 6-9 February 2007
- WTO trade in services workshop in Pakistan in March 2007
- IMF Seminar on trade in services for African countries 23-27 April 2007 Tunis
- OECD-Eurostat Expert meeting on Trade-in-services Statistics 19 September 2007 Paris
- UNSD trade in services workshop for CIS countries, second half of 2008
- OECD-Eurostat Expert meeting in Trade-in-services Statistics 24 September 2008 Paris ■

PUBLICATIONS

OECD Statistics on International Trade in Services

Volume I: Detailed Tables by Service Category; and Volume II: Detailed Tables by Partner Country

Volume I is an annual joint publication with Eurostat and presents, for 30 OECD countries and the EU, balance of payments data by type of service at the most detailed level. The electronic version covers 1970-2005. Historic series are available to the extent that countries can report them.

Volume II provides partner country

breakdowns by type of service. The electronic version provides breakdowns by partner and the EBOPS classification to the extent that countries can report them. It covers the years 1999-2005. Data are provided for 28 OECD countries, the EU, Hong Kong (S.A.R. China) and the Russian Federation. ■



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UN database on Statistics of International Trade in Services

Since June 2007, a global database on International Trade in Services, UN ServiceTrade, is publicly and freely available at the UNSD website. The current scope of UN ServiceTrade is resident to non-resident trade in services and some related data series, broken down by EBOPS category and partner country, starting with the year 2000, on an annual basis. The main sources of data and metadata are

National Statistical Offices, Central Banks and the Statistical Office of the European Communities. All values are expressed in US dollars. Services are classified according to EBOPS and its memorandum items and some additional BOP components, namely: compensation of employees, workers remittances, migrant's transfers and direct investment. ■

WTO—International Trade Statistics 2007

The new edition of “International Trade Statistics” has been restructured. It now contains chapters on developments in world trade, merchandise trade by product and trade in commercial services by category. A chapter on “metadata” (technical notes and explanations) explains the concepts and definitions used to compile the statistics. The comprehensive appendix section includes tables with full time series data up to 2006.

The content of this new edition has also been expanded to meet increasing demand for data on international trade in services. It includes information on individual service sectors and bilateral trade flows. The revamped presentation includes new table layouts and highlighted messages as introductions to each of the chapters.

The publication can be found at http://www.wto.org/english/res_e/statis_e/its2007_e/its07_toc_e.htm. ■

PUBLICATIONS (CONTINUED)

EUROSTAT - Publications

[European Union international trade in services - Analytical aspects - Data 1997-2005](#)

This publication concerns EU international transactions in services between 1997 and 2005, and is divided into two parts. The first part is analytical and gives the most recent portrait of European Union (EU-25, EU-15) international transactions. It highlights the main trends of EU trade in services in 2005 and underlines the results of the EU with its main partner zones. The second part presents statistics on international trade in services of the EU-25 and EU-15 with partner World, Extra-EU-25/EU-15, Intra-EU-25/EU-15, Canada, the United States and Japan, for the main services items and 44 items of internationally tradable services.

[Remittance flows to and from the EU – 2007 edition](#)

This Working Paper presents for the first time flows to and from the European Union of remittances and "net compensation of employees" (i.e. compensation of employees minus taxes and social contributions, and minus transport and travel expenditures related to short-term employment) for the years 2005 and 2006. In addition to global flows, the document identifies and quantifies the major corridors of both remittances and "net compensation of employees" flows.

Collection: Statistics In Focus

[EU International Trade in Services in 2005 - Issue number 29/2007](#)

The document analyses the EU trade services in 2005 in terms of its main

partners and items. It covers the periode 1999-2005. The main data sources are Eurostat and IMF. The document is aimed to all interested in trade in services. In addition to data it gives some explanations of trends observed. It is related to Eurostat news release 168/2006 of 21/12/2006

[EU remains a major player in international travel in 2005 - Issue number 85/2007](#)

The publication provides a detailed description of the EU receipts and expenditure for travel within the framework of balance of payments statistics. It identifies the main markets and illustrates the evolution in recent years. The main data sources used in this publication are Eurostat database and IMF balance of payments statistics.

[International trade in transportation services - Issue number 82/2007](#)

The document presents the EU international trade in transportation services with its main trading partners. Analysis of data on sea transport, air transport and other transport is presented. The analysis covers the period 2003-2005 for EU-25 and 1995-2005 for EU15.

All these publications can be found on the EUROSTAT website starting from the portal webpage at:

http://epp.eurostat.ec.europa.eu/portal/page?_pageid=0_1136195_0_45572106&_dad=portal&_schema=PORTAL ■

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EDITORIAL NOTE

The Newsletter of the Interagency Task Force on Statistics of International Trade in Services (TFSITS) is a joint publication of the members of the task force: the United Nations Statistics Division (UNSD), the Statistical Office of the European Communities (Eurostat), the International Monetary Fund (IMF), the Organization for Economic Co-operation and Development (OECD), the United Nations Conference on Trade and Development (UNCTAD), the World Trade Organization (WTO) and the World Tourism Organization (UNWTO) - the Task Force is chaired by OECD. The Newsletter is prepared by the International Trade Statistics Section of the United Nations Statistics Division - Department of Economic and Social Affairs. This Newsletter does not necessarily express the official position of any of the members nor is it an official document of the United Nations.

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