

Contents

Background	3
Update Process and Timeline.....	4
Integrated Trade and Business Statistics.....	6
Integrating of IMTS and SITS.....	6
Research Topics	8
Vertical research topics.....	8
Horizontal research topics.....	9
Other research topics (may contain compilation practices related issues).....	9
Annex I: Annotated Research Topics	10
(v.1) Scope Of IMTS And SITS– Definition Of Goods, Services And Bundled Products (Goods And Services).....	10
(v.2) Impact Of The BPM Updates (Goods And Services)	11
(v.3) Bilateral Trade Asymmetry (Goods And Services)	12
(v.4) Informal Cross Border Trade (Goods And Services).....	13
(v.5) Recording Principle – Change Of Ownership Instead Of Cross-Border For Selected Commodities (Goods).....	13
(v.6) Trade System – Improved Coverage By Implementing General Trade System Exclusively (Goods)	14
(v.7) Valuation – Utilizing Invoice Value In Addition To CIF, FOB (Goods)	14
(v.8) Price And Volume Measurement (Goods And Services).....	15
(v.9) Factoriless Goods Producers And Merchanting (Goods).....	15
(v.10) Measurement Of Modes Of Supply (Services)	16
(v.11) SITS Classifications EBOPS (Services).....	17
(h.1) Digital Trade Including Conceptual Framework, Price And Volume Measurement (Goods And Services).....	17
(h.2) Global Value Chains (Goods And Services).....	17
(h.3) Linking Trade And Business Statistics (Goods And Services).....	18
(h.4) Impact Of Trade On Environment And Sustainability (Goods And Services)	18
(h.5) Impact Of Trade On Well-Bering, Labor, And Productivity (Goods And Services).....	19

(h.6) Foreign Affiliates Statistics (FATS) (Goods And Services)	19
(h.7) Classification: BEC Rev.5, Business Functions (Goods And Services)	19
(h.8) Impact Of ISIC And CPC Revisions (Goods And Services)	20
(x.1) Trade Flow, Nature Of Transactions And Customs Procedure Codes (Goods).....	20
(x.2) Valuation of trade under long term contracts (Goods).....	21
(x.3) Alternative data sources – high-frequency data sources (Goods and Services).....	21
(x.4) Alternative method on the calculation of trade indices (Goods).....	21
(x.5) SDMX-IMTS (Goods)	21
(x.6) Clarification On Cultural Products Resulting From Creative Industries	22
(x.7) Revision Of The Standard International Trade Classification (SITC).....	22

Background

The 2030 Agenda recognizes international trade as an engine for inclusive economic growth and poverty reduction, and an important means to achieve the Sustainable Development Goals (SDGs). International trade has interlinkages with the environment; industry, innovation, and infrastructure; employment; economic growth; inequality; energy and transport sectors; and food security, among others.

The domain of international trade statistics was traditionally less integrated with other domains of economic statistics, let alone with those on wellbeing and sustainability. However, there is growing demand to link international trade statistics to relevant socioeconomic and environmental phenomena in support of the monitoring of the 2030 Agenda on sustainable development.

This integration can be best understood as being two dimensional – vertical and horizontal. The vertical integration of international trade statistics pertains to the upstream harmonization of international trade statistics with macroeconomic statistical frameworks, including BPM and SNA; and the downstream integration with the various data sources, including customs, administrative and survey data. The horizontal integration refers to linking trade statistics with those on globalization, digitalization, wellbeing and sustainability, extended business registers, etc.

The United Nations Statistical Commission, at its 52nd session, recognized the need for better integration of the international trade and business statistics and decided on the creation of a Task Team on International Trade Statistics (TT-ITS) under the UN Committee of Experts on Business and Trade Statistics (UNCEBTS) . The task team is aimed at advancing a joint research agenda between business and international trade statistics for the revision of the trade-related standards taking into account the new demands of the 2030 Agenda for sustainable development. The Commission also recommended that the TT-ITS develops a program of work on a) new trade-related business indicators, b) the integration of international trade-related characteristics of businesses in the statistical business registers, and c) the promotion of the data and e-learning training programme on international trade statistics. Furthermore, the Commission requested UNCEBTS to actively coordinate the integration of the work programmes of the Inter-Agency Task Force on International Trade Statistics (TFITS) as recommended by the Friends of the Chair Group on economic statistics to avoid duplication of work and advance the active collaboration between countries and agencies.

The Commission also decided on revising the International Merchandise Trade Statistics: Concepts and Definitions 2010 (IMTS 2010) and the Manual on Statistics of International Trade in Services 2010 (MSITS 2010) while ensuring consistency with the update of other statistical standards, such as the System of National Accounts and the Balance of Payments and International Investment Position Manual. The Commission recommended that the Committee take this work forward with the representation and active participation of countries from different regions and international agencies.

This draft proposal focuses on documenting the research topics, processes and timelines to revise IMTS 2010 and MSITS 2010 in a more integrated framework with appropriate extensions to the interrelations with society and the environment. The update process of IMTS 2010 and MSITS 2010 manuals is outlined in the section below.

Update Process and Timeline

An envisaged update process will comprise of three-pronged elements: (a) undertaking technical research on prioritized core trade statistics issues; (b) engaging in a broad consultation on the issues relating to the thematic areas of globalization, digitalization, wellbeing and sustainability; and (c) ensuring overall consistency with the system of economic statistics (both macroeconomic and microeconomic), especially better supporting overarching statistical standards and the 2030 Agenda.

The core of the work of the TT-ITS will comprise drafting of Guidance Notes (GNs) on selected research topics. The drafting will be tasked to interested members and coordinated by the chair(s) of TT-ITS. After initial peer review by other TT-ITS members, they will be cleared by the TT-ITS and the UNCEBTS. There may be need for broad global consultations with relevant stakeholders and countries before the final adoption of the GNs. Furthermore, there may be need for experimentation and testing in select countries.

The TT-ITS will also review recommendations or Guidance Notes developed by other task teams in the system of economic statistics (especially in the BPM6 update and 2008 SNA update processes) and develop specific recommendations for IMTS 2010 and MSITS 2010 update. Figure 1.1 gives a schematic for the life cycle of Guidance Notes. Elements of broad consultations and ensuring overall consistency with the system of economic statistics are very much integrated into this approach.

Figure 1.1: Schematic for the life cycle of Guidance Notes

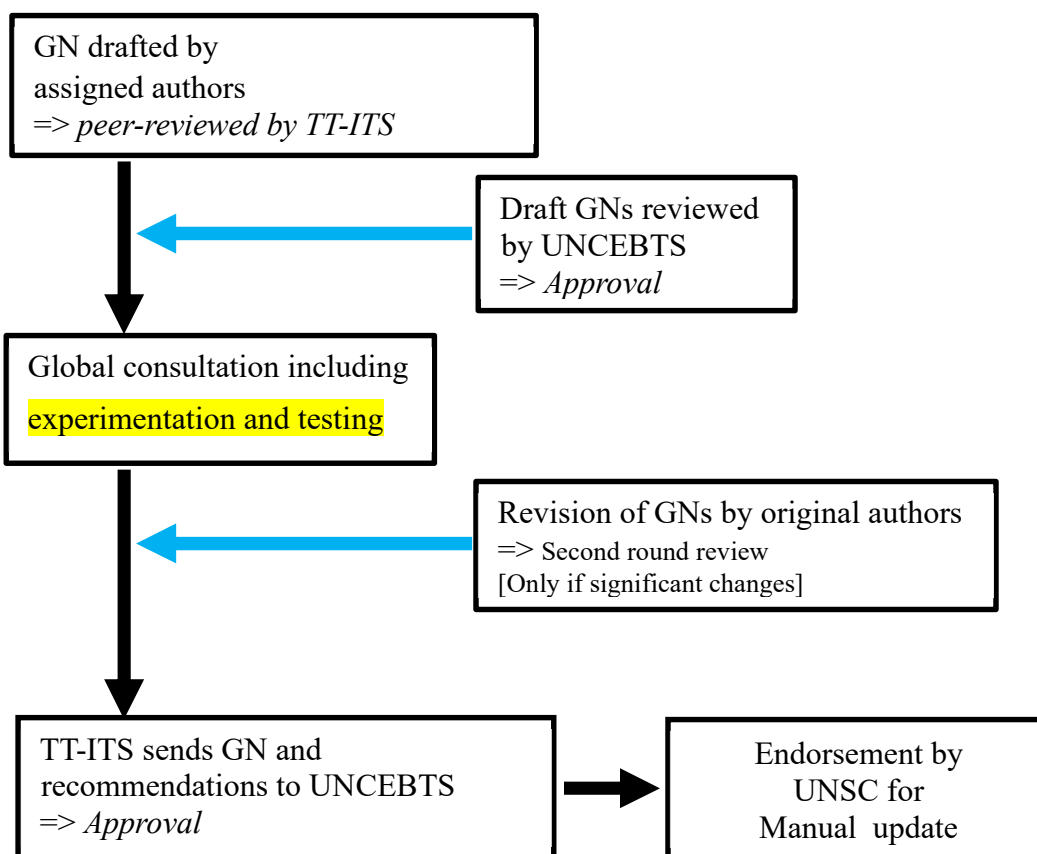


Table 1.1 below give the update schedule and timelines. An important milestone is the completion of research and drafting of GNs including their global consultation and experimentation by mid-2023 (a period of one and a half year from initiation). The milestone takes into account the completion of Guidance Notes of BPM and SNA and the draft structure of ISIC and CPC. Other important milestones include the completion of global consultations on the draft manuals by May 2024. To facilitate the drafting of manuals in 2023-2024, the recommendations in the GNs will be formulated as best as possible to be used in the manuals with least changes.

Table 1.1: DRAFT Timeline for the updating of the IMTS 2010 and MSITS 2010

Steps (2021-2023)	Apr. — Oct. 2021	Nov. 2021 — Mar. 2023	Apr. — Jun. 2023	Jul. — Sept. 2023	
Exploration Research	Research topics identification and prioritisation	Research and drafting of GNs			
Consultations and approval		Global consultations on GNs – experimentation and testing ¹	Final recommendations	Approval by TT, UNCEBTS	
Steps (2023-2025)	Oct. 2023 — Mar. 2024	Apr. — May 2024	Jun. — Oct. 2024	Mar. 2025	May 2025 — onwards
Drafting	The first draft manuals	Global consultations on the draft manuals			
Finalization and endorsement			Manual finalization and approval by UNCEBTS	UNSC endorsement	Capacity building activities on the new manuals

¹ Taking into account the progress made by the update of BPM and SNA.

Integrated Trade and Business Statistics

The integration of trade and business statistics is essential in the broader context of integrating trade statistics with SDGs and policy needs. For example, linking trade and business statistics provides important information including, the type of businesses engaged in the trade of goods in terms of the contribution of a particular economic activity to total trade; the share of small and medium-sized enterprises to total trade; and the share of enterprises that trade with a certain partner country and the amount of trade value they account for. By linking trade to businesses, the impact of international trade (and their related global value chains) on employment and household and business income can be determined. Through income generation, the impact can be observed on household consumption and business investments and finance. The monitoring of these trade-related business indicators is vital for achieving the 2030 Agenda and leaving no one behind.

This proposal considers an integrated research agenda for revising the manuals for International Merchandise Trade Statistics (IMTS), Statistics of International Trade in Services (SITS), and linkages to business statistics against the backdrop of the need for integrated business and trade statistics in support of sustainable development. An integrated approach to business and trade statistics requires that the concepts, implementation, and compilation are, to the largest extent possible, integrated and harmonized within the scope and with other economic, socio-demographic, environmental, and multi-domain statistics.

Integrating of IMTS and SITS

For previous revisions of trade manuals, separate and dedicated expert groups on IMTS and SITS were established to manage the revisions separately. However, the integration of IMTS and SITS may be a research topic in its own right. This integration can be achieved by harmonizing the concepts and definitions in the revised IMTS and SITS manuals. For this purpose, the consistency between IMTS and SITS should be reviewed, and further reconciliation or integration options need to be explored. For example, having one single unified manual can enhance the required consistency for international trade statistics and with other standards. At a minimum, cross-cutting issues need joint consideration in IMTS and SITS.

The key difference between IMTS and SITS is that the former are based on cross-border principle while the latter, like the Balance of Payment Statistics, are based on the change of ownership principle². There are also other more specific differences to be addressed as well as similarities that can be exploited to achieve harmonization. Table 2.1 below lists common topics in IMTS and MSITS.

² There are a few exceptions to cross-border principle in IMTS 2010 including international trade in ships, aircrafts and movable drilling rigs.

Table 2.1: Common Chapters in IMTS and MSITS

<i>Topics</i>
Recording Principle and Time of Recording
Institutional Arrangement
Classifications
Data Sources
Data Compilation
Data Dissemination
Data Quality
Metadata

Research Topics

Several research topics have been identified (including those in the processes of updating the 2008 SNA and BPM6). Task Teams (TTs) or joint TTs have been established to advise BOPCOM and the Inter-secretariat Working Group on National Accounts (ISWGNA) on research issues relevant to the BPM6 and the 2008 SNA Update. In many cases, good progress has been made, and the Task Teams have drafted Guidance Notes (GNs) within which the recommendations are subject to global consultation and approval.³ Additional topics have been identified from the work and discussions in various relevant fora such as OECD Working Party of Trade in Goods and Services, TFITS, UNCTAD programs on illicit trade, digital economy and e-commerce, and ongoing consultations with countries.

As of now, below research topics have been identified. The priority topics are categorized according to whether they relate with the vertical integration dimension or the horizontal dimension. Please note that this list is preliminary, and it may be amended based on further consultations with countries and agencies.

Further details (annotation) and status of each research topic are provided in Annex I. It is important to recognize that the research agenda is rather extensive. Therefore, prioritization of the research topics will be necessary to focus on the highest priority topics in the initial period. Hence, each research topic has been assigned a priority rating based on their relevance, maturity and feasibility levels. These levels, expressed by ranks A, B or C is assigned indicating High, Medium and Low levels. For this purpose, these rankings are determined by:

- Relevance: How relevant is the research topic for Trade statistics in terms of policy needs?
- Maturity: How much research has already been done which the Task Team can build upon?
- Feasibility: How difficult will it be to implement the output of the research?

Vertical research topics

(v.1) Scope of IMTS and SITS– definition of goods, services and bundled products (Goods and Services): ABB

(v.2) Impact of the BPM updates (Goods and Services): AAB

(v.3) Bilateral Trade Asymmetry (Goods and Services): AAB

(v.4) Informal Cross Border Trade (Goods and Services): ABB

(v.5) Recording principle – change of ownership instead of cross-border for selected commodities (Goods): ABB

(v.6) Trade System – improved coverage by implementing General Trade System exclusively (Goods): AAB

(v.7) Valuation – utilizing invoice value in addition to CIF, FOB (Goods): AAB

(v.8) Price and volume measurement (Goods and Services): ABB

(v.9) Factorless Goods Producers and Merchanting (Goods): AAB

³ <https://unstats.un.org/unsd/nationalaccount/towards2025.asp>;
<https://www.imf.org/en/Data/Statistics/BPM>

- (v.10) Measurement of Modes of supply (Services): AAB
- (v.11) SITS Classification: EBOPS (Services): ABB

Horizontal research topics

- (h.1) Digital trade including conceptual framework, price and volume measurement (Goods and Services): AAB
- (h.2) Global value chains (Goods and Services): AAB
- (h.3) Linking trade and business statistics (Goods and Services): AAB
- (h.4) Impact of trade on environment and sustainability (Goods and Services): ABB
- (h.5) Impact of trade on well-being, labor, and productivity (Goods and Services): ABB
- (h.6) Foreign Affiliates Statistics (FATS) (Goods and Services): AAB
- (h.7) Classification: BEC rev.5, Business Functions (Goods and Services): ABB
- (h.8) Impact of ISIC and CPC revisions (Goods and Services): ABB

Other research topics (may contain compilation practices related issues)

- (x.1) Trade flow, nature of transactions and customs procedure codes (Goods)
- (x.2) Valuation of trade under long term contracts (Goods)
- (x.3) Alternative data sources – high-frequency data sources (Goods and Services)
- (x.4) Alternative method on the calculation of trade indices (Goods)
- (x.5) SDMX-IMTS (Goods)
- (x.6) Clarification on cultural products resulting from creative industries
- (x.7) Revision of the Standard International Trade Classification (SITC)

Annex I: Annotated Research Topics

(v.1) Scope Of IMTS And SITS– Definition Of Goods, Services And Bundled Products (Goods And Services)

The Current Account Task Team (CATT) on the process of updating BPM6 is considering the topic of separation between goods and services.

Paragraph 1.49 of IMTS Concepts and Definitions (2010) lists goods that are included in trade in services statistics. These include goods acquired by all categories of travelers; newspapers and periodicals sent under direct subscription; goods supplied by and to enclaves of foreign Governments, such as embassies, military bases, etc., and international organizations located in the economic territory of a host country; media used for carrying software customized or written for a specific client or originals of any nature.

The criteria used here is the characteristics and/or the medium of storage/delivery. Also, in case of goods acquired by travelers, threshold is used to define inclusion or exclusion criteria.

The treatment of knowledge capturing products

Knowledge-capturing products “concern the provision, storage, communication and dissemination of information, advice and entertainment in such a way that the consuming unit can access the knowledge repeatedly”. There are increasingly more international transactions involving products with significant knowledge-based content, for example, e-book, software, and artistic originals. These products are not consistently measured — for example, e-books as compared to printed books.

The treatment of bundled products

Also, there are increasingly more international transactions involving bundled products. The bundle many consists of both goods and services components (individually belonging to various categories in classifications). There is a need to ensure consistency with the Central Product Classification (CPC, a complete product classification covering goods and services) framework.

Status: Only part of the issue i.e. relating to s.1 and s.8 are being considered by CATT.

Crypto Assests and Digital valuables

The rise in both popularity and value of digital valuables such as crypto assets, NFT arts, and virtual real estate warrant their measurement in official statistics. Trade in digital valuables is a new but important phenomenon where clear concepts, definitions, and standards are needed.

As a starting point, the IMF has deemed digital valuables to be used as a store of value or in barter to purchase goods and services⁴. Further research is needed to set up trade boundaries in the transactions using these new assets.

(v.2) Impact Of The BPM Updates (Goods And Services)

In the forthcoming BOPCOM next year, all Guidance Notes of Current Account Task Team will be finalized. At the end of 2021, most of Guidance Notes would have been approved by BOPCOM, therefore, it is crucial to start analyzing the impact of the BPM updates to IMTS and MSITS including the need for concept clarification and more granularity. The following list describes the GN topics including the status. Please note that some BPM topics may be elevated into dedicated Trade Guidance Notes.

Issue No.	Research Topic	Status and Date as of Oct 2021
C.1	Recording transactor-based components of services (travel, construction and government goods under services)	GN discussed at October 2020 BOPCOM. Pending decision on C4 (bundling of services) at the October 2021 BOPCOM/AEG meeting. Reflect the outcomes of C4 and C7 (and any other relevant GNs) and finalize.
C.2	Goods and services account by (trading) enterprise characteristics	GN discussed at October 2020 BOPCOM and approved. Contact DITT to ensure a harmonized recording of investment income and finalize.
C.3	International trade classified by currency (including for trade linked to long-term trade credits and advances)	GN discussed at June 2021 BOPCOM. Approved, under finalization.
C.4/G.5	Merchanting and factoryless producers; clarifying negative exports in merchanting; Merchanting of services	Joint GN with GZTT. Currently under public review to be discussed at the joint October 2021 AEG/ BOPCOM
C.5.1	Statistical impact of the change in treatment of operating leases in business accounting	GN discussed at October 2020 BOPCOM.
C.5.2		Approved, will be finalized together with C.5.2.

⁴ <https://www.imf.org/external/pubs/ft/bop/2019/pdf/Clarification0422.pdf>

	Economic ownership in the context of financial and operating lease transactions pertaining, in particular, to aircrafts	Currently under written consultation (BOPCOM). Subsequently will combine with C.5.1 into one GN
C.6	Trade in services classification	GN discussed at June 2021 BOPCOM. Approved, under finalization.
C.7	Treatment of travel packages, health-related travel, and taxes and fees on passenger tickets	GN was put on hold at February 2021 BOPCOM pending decision on C4 (bundling of services). Will be discussed at February 2022 BOPCOM. GN will be discussed at the February 2022 BOPCOM.
C.8	Recording penalties and fines	GN discussed at February 2021 BOPCOM and revised Under consultation with AEG to clarify if penalties & fines should impact earnings of DIES.
C.9	Valuation of trade under long term contracts	GN deleted from CATT research agenda
C.11	Valuation of imports and exports (CIF/FOB adjustment)	GN discussed at October 2020 BOPCOM and AEG Follow-up world survey (Stage 1) and testing on selected countries (Stage 2) Will be presented at October 2021 AEG/ BOPCOM

(v.3) Bilateral Trade Asymmetry (Goods And Services)

Bilateral asymmetries in trade data (both in goods and services) are a well-known issue in IMTS. Bilateral trade asymmetries exist when, for example, the reported exports from country A to country B do not match the reported imports of country B from country A.

Three main and well-known reasons for asymmetries in bilateral merchandise trade are:

- (i) the application of different criteria of partner attribution in import and export statistics.
- (ii) the use of CIF-type values in import statistics and FOB-type values in export statistics.
- (iii) application of different trade systems in data compilation.

The research will aim to explore possible changes to the core concepts to reduce bilateral asymmetry. Further, to identify methods for analysing bilateral asymmetries and produce guidance for countries on reducing/eliminating bilateral asymmetries with partner countries.

(v.4) Informal Cross Border Trade (Goods And Services)

IMTS 2010 recommends that “goods acquired by all categories of travellers, including non-resident workers, to a significant scale as defined by national law are to be included”. This phenomenon is referred to as informal cross border trade, shuttle trade or small-scale border trade.

But in many countries, the volume of informal cross border trade is significant even if the individual transactions fall below the determined threshold. It is important to note that this trade also includes, at least in theory, illegal trade. The current definition is that illegal activities are excluded from IMTS. Currently, many countries conduct surveys to estimate informal cross border trade. But information is often incomplete if not non-existent.

The aim of the research topic is to explore ways to estimate informal cross border trade and produce relevant guidelines. The research should be coordinated with IETT’s work on Informal Economy, and the similar initiatives undertaken by regional organizations such as AUC.

(v.5) Recording Principle – Change Of Ownership Instead Of Cross-Border For Selected Commodities (Goods)

A key conceptual difference between IMTS and SITS, as well as BOP statistics, is that SITS and BOP are based on the change of ownership principle while IMTS coverage is mainly based on the cross-border principle except for selected IMTS commodities that are recorded based on the change of ownership. The cross-border principle has its own rationale and usefulness, but also drawbacks. From a policy-making perspective, cross-border principle allows measurement of resource use, transportation, economic activities, and so on.

At the same time, with economic globalization, cross-border trade has become an increasingly inaccurate indicator of attribution of trade values, especially with coverage challenges for transactions that are included in IMTS based on change of ownership. Considering that trade values based on the change of ownership between residents and non-residents is of great interest to the balance of payments compilers and other applications, it should be explored or clarified how IMTS coverage of and conversion to change of ownership basis can be strengthened, and facilitate the comparability of various trade statistics. Ultimately, the desirability and feasibility of better integration of the change of ownership information in IMTS as a complementary measure may need to be explored.

Impact on valuation of goods for processing

Goods for processing are goods that are sent abroad or brought into a country under a specific arrangement between the involved parties (which may or may not include the change of ownership) and for specific operations as defined by the statistical authorities of

the compiling country⁵. IMTS 2010 recommends that goods for processing and goods resulting from such processing (compensating products in customs terminology), are to be included in the merchandise exports and imports of the countries at their full (gross) value.

However, this recommendation sometimes contributes to inflated total exports/imports value if the goods for processing are high value, for example, heavy construction equipment, ships, and aircrafts for repair/maintenance, etc. To address this and to ensure better harmonization with BOP standards, it should be explored whether goods for processing should be included at their net, and not at gross value. The possibility of net valuation will also have to be considered together with issue m.6 i.e. valuation utilizing invoice value (in addition to CIF, FOB).

(v.6) Trade System – Improved Coverage By Implementing General Trade System Exclusively (Goods)

IMTS 2010 recommends the use of General Trade System. In a General Trade System, compiling country's statistical territory and customs territory are the same and hence the coverage of IMTS is complete. However, many countries find it difficult to implement General Trade System and therefore opt for Special Trade System where the customs territory is only a subsection of the statistical territory.

Use of Special Trade System creates many well-known issues in IMTS including bilateral trade asymmetries. Even between two trading partners both using Special Trade System, data may be inconsistent since there is provision for strict and relaxed definitions of Special Trade System. It should be explored if a move towards the exclusive use of General Trade Systems in support of the improved coverage of the IMTS and the consistency with other standards like the SNA and BPM.

Furthermore, the present flexibility in the application of IMTS 2010 recommendations may also give rise to inconsistencies. For example, as discussed in (4.c), not all countries estimate informal cross-border trade. Moreover, countries apply various value/quantity threshold for the measurement of the migrant effect. Therefore, it should be explored to introduce an exhaustive measurement of trade statistics consistent with other standards.

(v.7) Valuation – Utilizing Invoice Value In Addition To CIF, FOB (Goods)

The Joint Globalization Task Team (GZTT) on the process of updating the 2008 SNA and BPM6 is considering the topic of trade valuation. One of the recommendations of the GZTT is to change the valuation of imports and exports of goods from CIF/FOB to transaction values in the next set of international standards. While the Advisory Expert Group on National Accounts (AEG) and BOPCOM agreed that invoice (transaction) values are conceptually sound, concerns were

⁵ IMTS 2010

expressed about the practical feasibility of adopting this approach in balance of payments and national accounts compilation.

Country consultation and testing are being done to assess (i) the extent of the difficulties in obtaining trade data at observed invoice (transaction) values from customs data, (ii) if this change can be implemented in practice, and (iii) whether the benefits of changing outweigh the disruption (and cost) to the statistical system ⁶.

The GZTT launched a survey for the GN G.1 on the Valuation of imports and exports of goods in the international standards. The time for responding to it was until April 12, 2021. Follow up with feasibility test among NA and BOP communities was conducted in September 2021. The results will be presented in the BOPCOM October 2021 meeting. This will have an impact on IMTS in terms of requirement of collecting new data using transaction valuation.

(v.8) Price And Volume Measurement (Goods And Services)

Volume or quantity is an important dimension of international trade statistics that is indispensable for various policy and analytical purposes including for the planning of transport infrastructure, the compilation of energy, agricultural and other commodity balances, the assessment of the impact of international trade on environment, and the verification of trade values and the construction of trade index numbers. IMTS2010 recommends that countries collect or estimate, validate and report quantity information in the WCO standard units of quantity and in net weight on all trade transactions.

However, in practice, quantity information often lacks accuracy and conformity to standards. Use of non-standards quantity units are common, and so is recording of inaccurate, often arbitrary quantity. This often shows up as outliers in unit values. Among other reasons, customs administrations, which are the source of trade data, do not have a strong incentive to record quantity units accurately.

The problem is even more pronounced in Trade in services because assigning a volume to intangible services is more complex.

(v.9) Factorless Goods Producers And Merchanting (Goods)

The MSITS 2010 uses the term service subcontracting to refer to merchanting, which “entails the purchase and sale of services without any significant transformation of the service between the purchase and the sale (for example, in business, transport, construction or computing) “. More precisely, service merchanting is considered “the value of services exported and imported in the economy of the service arranger is recorded on a gross basis”.

⁶ https://unstats.un.org/unsd/nationalaccount/radocs/GZTT_Valuation_Imports_Exports_CIF_FOB.pdf

SNA2008 and BPM6 also consider these topics as part of the globalization process. Nevertheless, it is still a challenge to properly define the concept and its boundaries.

Status: The AEG discussed these issues at its 9th meeting. On the balance of payments revisions, the work was initiated as a joint GN to be produced by the GZTT and CATT and to be submitted by October 2021.

(v.10) Measurement Of Modes Of Supply (Services)

Allocating international services trade to the different modes of supply is difficult as a service can often be produced, distributed, marketed, sold and/or delivered through one mode or another or a combination of modes. Globalizations has also enhanced many possibilities. Modes of supply are essentially defined based on the location of the service supplier and consumer, the nationality of the supplier, and/or the way the service is provided. Even if these factors are known, it may be difficult in certain cases to determine (i) the allocation of the trade by origin and destination and (ii) which individual mode(s) was (were) involved for the supply of a particular service.

This ambiguity is particularly noticeable between modes 1 and 2 when under both modes the supplier is not physically present within the territory of the consumer. The distinction between both modes hinges upon whether the service is supplied within the territory of the consumer from the territory of the supplier or whether the service is supplied to the consumer outside his/her resident country. For example, the supply of financial or insurance services often does not require the physical presence of the consumer. Electronic means associated with the globalization of financial markets have made it possible to "deliver" a financial service almost anywhere in the world. Once the physical presence of the consumer ceases to be an unequivocal benchmark for determining the place to or from which a service is supplied electronically, it becomes difficult to clearly determine whether mode 1 and/or 2 are involved.

Different methodological practices in compiling MoS present challenges for international comparability⁷. In addition, depending on the point of view adopted (importer or exporter), the way compilers allocate transactions to modes of supply may differ, particularly when there is a combination of modes involved (e.g. service supplier and consumer are located in two different countries and commercial presence of the supplier in a third country is acting as an intermediary). This results in asymmetries with respect to the recording of corresponding transactions.

Status: Eurostat's Mode of Supply Task Force (MoS TF) is working on measurement issues, drafting the MoS Compiler's Guide. Consultations with other groups e.g. ITSS WG, BoP WG, FATS WG will be done in June 2021 and first edition of the Compilers' Guide is expected December 2021.

⁷ <https://ec.europa.eu/eurostat/documents/3888793/10282481/KS-TC-19-007-EN-N.pdf/730bfc0b-8c13-db03-a903-1dbb0c69013f?t=1575368316000>

(v.11) SITS Classifications EBOPS (Services)

Guidance Note 6 for the revision process of the BPM6 (the Current Account Task Team) proposes a few, moderate changes in the services classification that could enhance the analytical use of the information and improve the correspondence between the BOP service categories and the CPC classification while limiting any additional reporting burden and breaks in time series. The existing BPM6/EBOPS 2010 services classification, when adopted in full, provides detailed and comprehensive information on international trade in services flows.

However, many countries are unable to compile the full EBOPS 2010 classification, which limits the usefulness of existing international trade in services statistics for analysis and policymaking. In addition, the growing fragmentation of production processes and the rise of digitalization require additional information. GN C.6 recommends a restructuring of the BPM6 services classification to provide further detail in the main (first level) BPM service categories and to improve the correspondence between the BOP services classification and the CPC. In addition, it highlights the need to review the implications of the rising digitalization of transactions on the classification of international trade in services. It may be necessary to add supplementary items in EBOPS.

(h.1) Digital Trade Including Conceptual Framework, Price And Volume Measurement (Goods And Services)

The IMTS 2010 does not consider new emerging topics such as e-commerce and digital trade. The first one is most commonly used, but the second one needs a better and consensual definition among the International Organisation, NSO, etc.

The challenge for Statisticians will be not only well defined the concept of digital trade but how to measure it. Since current manual such as SNA2008 and BPM6 are not considering this way of measuring. Nevertheless, it already exists prices on the market for ICT goods and services, which could be helpful as a starting point.

Additionally, the Task Team in Globalization and Digitalization could support updating the IMTS from their experience and knowledge to advance on this topic by referring to the Handbook on Measuring Digital Trade compiled by the OECD, IMF and WTO in 2020.

(h.2) Global Value Chains (Goods And Services)

Global value chains (GVC) have become a dominant international trade issue during these three last decades. Thus, it is essential to consider this topic as part of the IMTS update and align with the new version of the SNA and BPM.

The global value chains (GVC) are part of the globalization process. It contains the value-added activities across the world required to create a good or service from design to production and

marketing. This fragmented production aims at each stage, and each location to add value to the final product. This new way of production is done mainly by multinational enterprises. Hence the importance of having well developed national SBR linked to Global Group Registers.

A good reference for this research topic should be the Guidelines on Accounting for Global Value Chains, 2018 (additionally, ideas and opinions are suggested by the Task Team on Globalization).

(h.3) Linking Trade And Business Statistics (Goods And Services)

There is an increasing interest for the international community to link trade and business statistics. Both IMTS 2010 and MSITS2010 recognized the importance of this development. By doing this, it is possible to obtain the Trade by Enterprise Characteristics (TEC) and Services Trade by Enterprise Characteristics (STEC). In particular, the IMTS recommends: " to integrate trade register with business register and to take steps towards establishing an integrated system of economics statistics for data compilation and analysis".

The advantage of linking trade and business statistics is to access information on businesses' demography and dynamics, which could complement the trade data, enriching businesses' analysis on trade. It also opens the possibility of compiling trade broken down by sub-nationals.

Some developed and developing countries have already created this source of data. Nevertheless, some countries still need to establish a robust Statistical Business Register (SBR) to identify the related statistical units. One of the objectives of the UNCEBTS is that countries could produce their own TEC statistics by using the SBR.

The progress made by the Task Team on Business Dynamics, Demography, and Entrepreneurship will be welcome/helpful in this regard. Moreover, the manual published by UN Guidelines on Statistical Business Registers (2020), should be considered. The Current Account Task Team has developed the Guidance Notes on the topic as well.

Status: The GN C.2 is under finalization. It is expected that TEC and STEC statistics will be introduced in revised BPM6.

(h.4) Impact Of Trade On Environment And Sustainability (Goods And Services)

Trade intersects with the environment and climate change in a multitude of ways⁸. For example, emission from agriculture and transportation, and natural resources used in manufacturing, mining and agriculture have significant environmental footprint. On the other hand, trade is also directly related to many sustainable development goals, including poverty reduction, food security, decent work, responsible consumption and production, life below water and on land, among others.

⁸ https://www.wto.org/english/tratop_e/envir_e/wrk_committee_e.htm

However, the current level of details and structure of trade data does not allow in-depth analyses of these relationships. Improvements to trade classifications should be explored or development of new classifications, and the inclusion of additional details in trade data can facilitate these analyses. For example, the impact of trade on the environment, sustainability and the society can be done through microdata linking (using SBRs and tools like BEC revision 5, statistical classification of products by activity — CPA, and also their correspondence to EBOPS or HS).

(h.5) Impact Of Trade On Well-Bering, Labor, And Productivity (Goods And Services)

International trade as an engine for inclusive economic growth and poverty reduction, as well as an important means to achieve the Sustainable Development Goals (SDGs) has linkages to peoples wellbeing directly or indirectly. Examples include trade and health, and trade and income distribution^{9, 10}. Linkages of trade and wellbeing are less developed and require some consideration, in collaboration with other groups, including the Task Teams on well-being and sustainability.

(h.6) Foreign Affiliates Statistics (FATS) (Goods And Services)

A more general issue relates to a wider consideration of reconciling BPM-based direct investment and FATS/AMNE statistics. There is consideration to have better linkages between FDI and FATS statistics in GN D.9 by the Direct Investment Task Team (DITT).

Multinational enterprises (MNEs) pose growing challenges for the compilation of macroeconomic statistics, especially in how to attribute their activities to specific economies. Both direct investment (DI) and Activities of MNEs (AMNE) statistics provide valuable insights into the operations and financing of MNEs. However, there are many differences between the two sets of statistics, including in their populations, definitions, classifications, and variables covered, that can make it difficult to use them together.

Thus, the reconciliation of the two sets of statistics could provide comprehensive and consistent data on the financing and operations of MNEs. Such consistency will address some of the measurement challenges posed by MNEs and support analyses and policymaking, as well as to act as a data integrity check for the identification of errors and/or omissions in DI data. In addition, the Globalization Task Team is discussing how to address the challenges posed by MNEs for macroeconomic statistics, including the possibility of separately identifying foreign-controlled corporations, domestic MNEs, and other corporations in the Institutional Sector Accounts.

(h.7) Classification: BEC Rev.5, Business Functions (Goods And Services)

⁹ <https://apps.who.int/iris/handle/10665/183934>

¹⁰ https://unctad.org/system/files/official-document/osgdp20121_en.pdf

This fifth revision of the BEC (BEC Rev.5) is the outcome of a review process that spanned several years and involved contributions from many classification experts and data users around the world. The structure is very detailed and includes both services and goods, and more clearly distinguishes the end-use of products. Experimental correspondence tables between BEC Rev.5 and HS/ CPC/ EBOPS /ISIC have been developed based on the principle of the predominant use of goods. There is a need to pilot and implement trade data conversion and dissemination. Furthermore, guidance needs to be provided on possible alternative or secondary use of the classification on the principle of supply of a product.

The work on the Classification of Business Functions (CBF) is ongoing including the global consultation on the draft structure. The CBF is intended to facilitate the specific analysis of outsourcing and GVCs and to support integration of international trade, businesses and globalization. It is expected that CBF to be finalized in 2022.

(h.8) Impact Of ISIC And CPC Revisions (Goods And Services)

ISIC and CPC are under revision with the timeline of completion in 2022. Task Team on ISIC will finalize the first draft of revised structure in the fourth quarter of 2022 and Task Team on CPC will start global consultation on a set of identified issues in the fourth quarter of 2021. It is expected that new industrial activities would be added in ISIC with corresponding products breakdown in CPC. It is important to analyze the impact of such revisions to the IMTS and SITS.

(x.1) Trade Flow, Nature Of Transactions And Customs Procedure Codes (Goods)

A customs procedure is a treatment applied by the customs to goods which are subject to customs control. The customs procedure is the basis for the correct identification of the flows of goods for inclusion or exclusion under general or special trade. Customs usually apply a system of codes that allows flows of goods to be identified and prevents double recording of the goods which have undergone several customs procedures.

IMTS 2010 recommends that statisticians closely cooperate with customs experts in order to correctly allocate customs procedure codes and associated trade transactions according to the general or the special trade system. The annexes to the Revised Kyoto Convention identify a broad set of customs procedures and provide standards and recommended practices regarding those activities.

However, a comprehensive, internationally agreed set of “statistical” customs procedure codes are needed to ensure better harmonization of trade data across countries. There are some regional initiatives to this end. The aim of this research agenda will be to develop a standard set of detailed customs procedure codes through collaboration enabling in-depth analysis of inward/outward processing, warehousing, and re-exports activities.

(x.2) Valuation of trade under long term contracts (Goods)

The production of bulk commodities usually requires significant upfront capital investment. In order to guarantee a return on the investment, trade in these commodities frequently involves long-term contracts with either fixed prices or index-linked prices supported by a floor. Over time, the contract prices can deviate markedly from the spot price for the commodities. Because of this deviation, the clarification is needed to review the principle of market-price valuation in IMTS. This topic is listed as of medium importance in the Compendium of Research Issues Version 1.1 for the BPM6 Update (i.e. topic C.9).

Status: Dropped in CATT

(x.3) Alternative data sources – high-frequency data sources (Goods and Services)

Customs data are the primary source of IMTS, but non-customs sources have long been in use to supplement, increase coverage of or validate trade data. Some of the traditional non-customs data sources are parcel and letter post records, aircraft and ship registers, enterprise surveys, foreign shipping manifests, data exchanges between countries, etc. By nature, certain kinds of transactions (such as electricity, gas, purchases of aircraft or ships) do not pass-through customs, and therefore information about them needs to be obtained from other data sources maintained by other agencies.

Advancement in technology in recent years has created more opportunities to use non-customs data sources to improve not only the coverage and accuracy but also the timeliness of IMTS. Digital tracking of parcels, vessel tracking data available from AIS, and data owned by e-commerce platforms can produce trade indicators in real-time that may supplement or even proxy more traditional indicators. In addition to these, the “Pre-loading Advance Cargo Information (PLACI)” initiative by WCO and ICAO will increasingly make data on trade by air available even before the merchandise has been loaded on the aircraft.

(x.4) Alternative method on the calculation of trade indices (Goods)

Calculation of Trade Indices on a regular basis is a priority for many member states. However, this work is rather resource intensive. The objective of the research is to identify new methods for the calculation of Trade Indices, which are feasible for compilation by countries with limited resources.

One potential candidate is the multilateral indices method, which method does not require a fixed basket but compares all like-for-like products to measure price changes. This approach is more suitable to account for underlying quality changes due to the use of unit value. The research will focus on automation (as much as possible) of data treatment, cleaning, preparation and finally, calculation of indices to facilitate its use by member states.

(x.5) SDMX-IMTS (Goods)

SDMX 3.0 project has two objectives i.e. addressing a broadening set of needs and improving the usability of the standard. The 2021-2015 roadmap groups the objectives into four pillars: (i) strengthen implementation, (ii) simplification to facilitate use, (iii) modernization of statistical processes and IT structures by leveraging SDMX, and (iv) improved communication with the broader community.

SDMX-IMTS has been released to the SDMX Global registries in 2019, and it currently complies with SDMX 2.1 technical specification. It will have to incorporate the improvements from the SDMX 3.0 specification and revise the Data Structure Definition (DSD) accordingly.

(x.6) Clarification On Cultural Products Resulting From Creative Industries

In recent years, services are getting more interconnected with merchandise trade. Prominently, cultural services are among the services categories that are increasingly becoming important. UNESCO Institute for Statistics (UIS) has been working on this domain. They have succeeded in publishing data on cultural goods using COMTRADE as a source at the HS2007 level and according to the 2009 UNESCO Framework for Cultural Statistics (FSC)¹¹. However, in cultural services, the process has been more complicated due to low response rates and the limited coverage of crucial cultural components.

The 2010 MSITS definition regarding cultural services is according to the 2009 UNESCO Framework for cultural statistics using EBOPS 2010¹². In this regard, UNESCO has been collaborating with UNSD, WTO, UNCTAD, and OECD.

The challenge for cultural products is to improve the description of cultural services in BPM and MSITS, which could redress the low response rates. Nevertheless, there has been some improvement in some items, for instance, audio-visual services.

Status: UNESCO has been working on trade in cultural goods since the 80's. Regarding cultural services, they have been collaborating with other international organisations on this issue.

(x.7) Revision Of The Standard International Trade Classification (SITC)

The latest revision of SITC was in 2007 by the alignment with HS 2007. There is no strict revision cycle of SITC, however the main consideration is to follow major revision in HS taking into account the number of splits and merges between HS amendments. Nevertheless, SITC may be seen as an alternate aggregation of HS, therefore, revising SITC regularly may not be relevant

¹¹ <http://data.uis.unesco.org/>

¹² http://uis.unesco.org/sites/default/files/documents/international-flows-of-selected-cultural-goods-and-services-1994-2003-en_1.pdf

for analytical purpose anymore. It is important for the Task Team to consider this issue and move it forward.