

Report of the Twenty-second Meeting of the Interagency Task Force on Statistics of International Trade-in-Services

United Nations HQ New York

21-22 February 2006

1. The Interagency Task Force on Statistics of International Trade in Services held its twenty-second meeting at United Nations HQ in New York on 21-22 February 2006. The list of participants is attached at Annex 1. The agenda was agreed and is at Annex 2, with a list of papers at Annex 3.
2. Apologies had been received from UNCTAD and ILO.

Item 2 Revision of Balance of Payments Manual related to trade in services frameworks

SNA AEG Jan/Feb 2006 outcomes related to trade in services

3. UNSD distributed a draft short report of the February 2006 System of National Accounts Advisory Expert group (SNA AEG). Almost all SNA update decisions have now been taken. There were a very few ongoing discussions such as on pensions and leases and licenses. This means that the update of SNA is on track and this year the SNA text will be revised. Core chapters should be ready by early 2007 and remaining chapters by end 2007 for submission to UNSC 2008.
4. *Merchandising* was one of the main outstanding issues impacting on trade in services. Currently merchandising in the balance of payments is a net concept reported as trade in services. But this category is not all pure merchandising transactions (and includes for example some global manufacturing transactions) and is counter to the change of ownership principle. It also includes holding gains and losses, which should not be included in services. Merchandising data are collected at the business level, and there is a need to extend the data collection level of detail. There would be a need to adjust accordingly merchandise trade data in the balance of payments. An analogy was drawn with *Goods for Processing*.
5. The AEG agreed that for the three types of merchandising discussed in the SNA issue paper - global manufacturing, global wholesaling/retailing, and commodity dealing that is settled by trade in commodities- the acquisition of goods is to be recorded as an import (shown as a negative export) by the merchant. The subsequent resale of goods is recorded as an export by the merchant. The difference between the two is shown as net exports of goods by the merchant. The merchant's output is recorded as a wholesale/retail service within the national accounts, exclusive of holding gains/losses while the goods are held (in inventory) by the merchant.
6. The outcome was a compromise between those that were concerned about the implications of gross reporting for the trade data, those concerned about the change of ownership principle and those that saw a service being provided. The AEG were requesting feedback from TFSITS and other interested groups on whether this outcome from the AEG is acceptable.
7. The Eurostat delegate said that for *Goods for Processing* there had been strong objections, but they had not been taken into account by SNA AEG. The TFSITS discussion favoured the net figure being included in the aggregate, as this would limit the impact on the trade figures in balance of payments. There was no new argument. Some negative exports would be removed from trade in services and some asymmetries between trade in goods and trade in services removed. IMF explained that there was no plan to show global manufacturing separately in

balance of payments. The transaction would be recorded in principle when the change of ownership took place. For Japan the change would increase the trade in goods surplus and increase the deficit in services. The World Trade Organization (WTO) delegate asked why it was considered a service in national accounts but trade in goods in the balance of payments. UNSD replied that it was a service in the production accounts, but balance of payments was not a production account.

8. The change would further increase the difference between merchandise trade statistics and trade in goods in the balance of payments. Germany pointed out that there could be difficulty making a regional allocation, should the trade margin be allocated to the country to which the goods are sold? The recording of these transactions within multinationals and their valuation was known to be problematic, as they may be influenced by tax minimization strategies.

9. **Noting some reservations, the TFSITS concluded that the SNA AEG compromise on merchanting was broadly acceptable.**

10. SNA AEG had also considered recommendations on the production of financial corporations. The AEG agreed a new definition of financial corporations based on their output. Definition of financial institutions (broader now) based on output rather than their activity. "Liquidity transformation" and "risk management" activities are added to financial intermediation. By convention it was agreed that no FISIM is to be recorded for non financial corporations and it would be restricted to loans and deposits. Lending own funds may be regarded as a financial service with a service charge, though not a financial intermediation activity. Incorporated money lenders should be included in the financial corporations sector. FISIM should be calculated using a reference rate, based on ESA practice.

Revision of CPC

11. UNSD reported that the revision of Central Product Classification (CPC) structure had been completed and the proposed CPC version 2 had been submitted to the UNSC March 2006 for approval. The editorial process on explanatory notes would continue till August 2006. CPC classifies goods and services although the distinction is sometimes difficult and a number of products fall into a grey area. CPC goods corresponded to transportable goods and the Harmonised System (HS). The other part of CPC, which was mainly services, had been influenced by developments in the North American Product Classification System as well as by SNA. CPC classifies goods and services although no explicit distinction between goods and services is being made in the CPC. Sections 0-4 of the CPC correspond to transportable goods, linked to the Harmonised System (HS). Changes in those sections has been influenced by changes in the HS, proposals for extended detail for agricultural and related products and the need for more detail for ICT and information products. Changes in Sections 5-9, covering mostly services, have been influenced by developments in the North American Product Classification System, the need for more detailed information products, as well as by the SNA. UNSD had produced a series of papers looking at CPC links with the Extended Balance of Payments Services classification (EBOPS). The EBOPS link to the Central Product Classification is only partial, in particular because some items are defined by the transactor, or the location of the transactor, and not the product transacted. UNSD advocated a stronger CPC link to EBOPS. The IMF Balance of Payments Committee (BOPCOM) has decided to keep the exceptions to the product link, and only some small discrepancies have been resolved in the CPC revision.

Preparation of BOP Services classification paper for IMF BOP Committee:

12. The delegate from the *Ufficio Italiano dei Cambi (UIC)* presented a report of the Eurostat Technical Group Travel (TGT) in his capacity as Chairman of that group. The report contained a

number of recommendations for the revision of the Balance of Payments Manual in relation to the Travel item. The main recommendations were:

- To change the statistical unit from ‘traveller’ to ‘non-resident visiting an economy’
- To treat similarly the services of travel agencies and tour operators working on a margin and on commission and not separately identify these.

Not to accept proposals:

- Renaming Travel
- Combining travel with passenger transport
- An appendix on tourism, which was considered to be outside the scope of BPM6
- Business/personal split broken out by type of employment, considered too costly and difficult (the current split was supported).

Other suggestions of TGT:

- Clarify the scope of transactions in the BOP travel item to include all (and exclusively) goods and services acquired for own use during a visit
- Improve clarity and consistency of BPM5 in relation to the acquisition of durable / valuable goods by travellers
- Clarify the BPM treatment of expenditure related to second dwellings owned by non residents, a complex and growing issue.

13. In the discussion US emphasized that there were exclusions from travel expenditure of certain items acquired by travelers such as financial assets. Prepayment of hotels, theatre tickets etc should be included in travel provided of course it was a resident to non-resident transaction. It was noted that the BOPCOM had already agreed to exclude the expenditure of military and diplomatic personnel from travel and agreed on the treatment of travel agencies. It was reported that TG Travel had not taken any position on product breakdowns.

14. **The TF welcomed the TG Travel contribution as very useful, and noted the need for clarification in BPM6 on expenditure on second homes by non-residents and on the scope of the travel item.**

15. The World Tourism Organization (UNWTO) introduced paper TFSITS (06) 3. The BOPCOM decision on retaining the business/personal split of travel was remarked on, even though it was an exception to the product breakdown. It was suggested that there was also some need to clarify the scope of the item health-related expenditure and education-related expenditure, whether this was expenditure on health services of travellers or all travel expenditure of health-related travel, both in the BPM and the MSITS. UNWTO would have preferred the primary break to be by product. There was a risk that BPM6 would have no connection with CPC on tourism. There needed to be an extra effort in this area.

16. The question was raised how many countries currently provide the splits by type of travel and product as set out in MSITS. IMF replied that nearly 100 countries provided the business/personal and health-related, education-related split, while virtually no countries provide the supplementary limited product breakdown of travel in EBOPS to IMF. UNWTO suggested that if products were the main BPM split then many more countries would provide it.

17. Germany pointed out that a combination of practical data collection constraints and various policy interests in identifying different types of traveler still existed and needed to be acknowledged. The level of detail one could obtain on any item depended also on the importance placed upon it and the resources available.

18. On potential data sources border surveys were cited as a common basic instrument to produce the bop travel data, and US and EU said that in some countries at least it was possible to get product breakdowns from international credit card reports. UNWTO said they could amend the border survey to focus on the product breakdown. Italy suggested that the data-collection method was an important factor. Bank reporting offered no possibility of a product breakdown. Household surveys could allow the identification of the purpose of the trip but, due to recall problems, not the split of expenditure by product. In border surveys the collection of information on products bought by travellers, with a reasonable level of detail, appeared feasible.

19. UNWTO expressed the view that leisure tourism is more important than business tourism for many least developing countries and a product breakdown is needed to estimate global values and make the link to local activities.

20. UNSD supported the UNWTO position to move the travel item in BOPS to a product breakdown.

21. The TF noted the conceptual and analytical interest to do more regarding product breakdowns of BOPS and EBOPS, and that the business/personal split of travelers was not just for national accountants but for a range of policy needs. The BOPCOM had already concluded on the core items of BOPS, and the TFSITS supported for BPM6 to include the alternative breakdown for “travel” as proposed in the Annotated Outline of a revised BPM5, with some editorial amendment to specify that “transport services” were local and within the economy visited. A clarification of the scope of travellers expenditure, noting any exclusions, would be necessary in the BPM revision.

22. OECD drew the TF’s attention to a letter received from the Chair of the OECD International Trade Statistics Expert Meeting. It expressed considerable concern about the analytical and data collection implications of the SNA AEG’s decision to treat goods for processing (GFP) net. The letter had also been sent to the ISWGNA and the BOPCOM. The increasing divergence between customs-based merchandise trade statistics and trade in goods in the balance of payments implies a new approach to collection and presentation of statistics. The impact on certain countries trade data would be dramatic and there will need to be a close involvement of interested parties if international comparability and data quality are to be preserved. It finished by requesting Intersecretariat Working Group on National Accounts (ISWGNA) and other stakeholders to work together on developing trade statistics in the context of the updated SNA, as trade has a high political importance.

23. The discussion raised concerns on the impact of the decision for some countries with large processing activities. There was anxiety in the trade community on the uncertain consequences of the SNA decision. It was stated that merchandise trade statistics would remain unchanged and customs statistics would remain a vital data source. In the classification of trade, “processing of goods” should be one single net item. Should it be in goods or services?

24. UNSD Trade Statistics said that the majority of the trade community had not wanted this decision. It was now up to the BOPCOM to decide what to do.

25. The Philippines delegate stated a preference to treat the item (GFP) as trade in goods. There would be a problem collecting the information if it were in trade in services.

26. The delegate from UNSD Classifications Section suggested that there was still much resistance in countries to the idea that “contract processing” is a service. SNA maybe introducing ideas that countries cannot report and/or are not willing to report. Changing SNA does not necessarily change the flow of statistics. Germany said the arguments had now been made and we now need to go forward and there remained a small element of uncertainty about the BOPCOM outcome.

27. **The TF noted the letter from OECD on goods for processing and shared many of the concerns expressed in it. It agreed that there was a now a need for further work with countries and other interested parties to discuss how the SNA decision could be implemented in the most satisfactory manner in order to achieve international comparability of trade data in practice.**

28. OECD then presented paper TFSITS (06) 4 setting out the draft position paper on the BOP Services classification. The SNA AEG decision on *merchandising* implied that this item would move to trade in goods, possibly with a change of name. It had been proposed at the previous TFSITS meeting that *Goods for processing* be combined with *other processing services* in a single item *Processing of goods* as the first item in trade in services. It had also been agreed to include *post and courier services* with *transportation*.

29. UNSD asked for a clarification on whether maintenance of transport equipment should be included in “repair” or transportation. IMF and WTO pointed out that from a CPC and a GATS perspective it was preferable to combine maintenance with repair. Germany suggested that the existing division was based on practical data collection problems.

30. There was some discussion for clarification of the scope and content of various sub-items in the transportation section.

31. The name of the item *Franchising fees and payments for the use of proprietary rights* was questioned but it was acknowledged that this was related to ongoing discussions at SNA AEG on leases and licenses.

32. The removal of *Merchandising* from *Other business services* would accentuate the imbalance between the sub-categories of this item. OECD said that at least for the EU 25 countries, 10.3.1, 10.3.3 and 10.3.4 were all larger than 10.1 and 10.2.

33. Philippines requested that Call-Centre services be recognized more clearly in the classification. Did agricultural and mining services belong with business, professional and technical services?

34. OECD raised the issue of online products. IMF proposed that this could be addressed in detail the EBOPS revision.

35. The UNSD suggested some renaming of *Other business services* might be necessary as sub-items should not have the same name as the main item. IMF advised that there was some limited flexibility on supplementary breakdowns of BOPS.

36. **The TF asked the Secretariat to present some alternative proposals for a breakdown of section 10 *other business services* (to be dealt with by TF electronic discussion). It would be desirable to take into account both the importance of the sub-items, the CPC link in the alternative breakdowns and the limited nature of the breakdown that could be envisaged by countries for BOP purposes. It was agreed that the question of call centres and online products should be addressed in the revision of EBOPS not BOPS.**

37. **A BOPS issues paper for IMF BOPCOM with recommendations should be prepared by July 2006 (OECD/IMF).**

Item 3. Update of the Manual on Statistics of International Trade in Services

Discussion of proposed issues to be reviewed in the Update, the Consultation Document and Process– TFSITS (06)

38. OECD presented the draft consultation document TFSITS (06) 6 that explains what the Manual on Statistics of International Trade in Services (MSITS) is, the background to its

creation, the need to update it, the approximate timetable, and the draft list of issues for revision. Regarding these issues many are driven by changes in other frameworks (all references to which would have to be updated).

39. In chapter 1 there is a set of priority recommendations. UNSD proposed to merge priority 5 on partner country data with priority 2, 3, and 4. The current order of recommendations is the proposal. Germany said the priorities were separated as some countries were not in a position to provide partner country data. The UNSD suggestion should be posed as a question. Priorities were there to address the needs of international organizations and users for standardized comparable data, although MSITS repeatedly emphasized that countries should also address national priority information needs.

40. The UNSD delegate from the TSG Movement of Natural Persons proposed a question about moving up movements of persons rather than mode 4 the priority list.

41. Regarding chapter 2, UNSD suggested that this chapter was confusing for compilers and should be moved to an annex. However WTO reminded the group that chapter 2 explained the whole point of the Manual. Trade in services in the General Agreement on Trade in Services (GATS) is defined by the four modes. Negotiators need this framework. An analytical annex could clarify some of these issues for compilers.

42. Germany said that the GATS agreement on modes of supply was a political agreement not made by statisticians. Statisticians have tried to translate this into existing statistical frameworks. We can not leave out chapter 2. The Manual represented a real improvement. Modes of supply described how international services are delivered in order to clarify discussions and negotiations on market access.

43. UNSD said that chapter 2 gives the policy context, we have to be separate the policy need from the statistical response. We are not able to compile the exact information needs. We need to identify what supplementary information could be used. IMF proposed that the TF would also need to address the scope of the Manual particularly in relationship to mode 4 and wider movement of people. COMESA said the focus of mode 4 material in MSITS should be clearly on temporary movement of people to supply a service.

44. UNWTO raised the question of compilation guidance. FATS will be a candidate for this. It was agreed that more compilation guidance should be produced but in a documenty separate from the revised Manual.

45. The TF agreed in principle that chapter 2 should be clarified, not just for mode 4 and a clearer structuring should be investigated. The agencies would also have to agree the scope of material on mode 4.

46. Regarding chapter 3, the TF discussed the proposed questions. UNSD suggested to include a question on improving links to CPC, and questioned the coding system in BOP that does not give much indication of the structure of trade.

47. The Chair asked, given that we are preparing a classification that does not include some items (some in HS, some in services and some nowhere), should EBOPS be extended to cover goods for completeness. The TF disagreed and this question would be deleted and replaced it with one that included the possibility of extending EBOPS to cover difficult to classify products such as software, which were partly in goods and partly in services.

48. The US said that it presented trade in software in the international accounts, explaining the different ways it could be sold or transacted. This could be the subject of a box in MSITS.

49. Regarding chapter 4, The TF discussed the question on the terminology Foreign Affiliates Trade in Services (FATS) statistics. UNSD pointed out that UNCTAD use FATS and the activity of transnationals interchangeably. Eurostat used FAT statistics. The term *Mode 3* was suggested,

but not agreed. It was agreed that the question should remain in the consultation document. UNSD classifications unit suggested that there should be a discussion of the question of products versus activities in FATS statistics.

50. Regarding annexes the paper raised the question of a number of new annexes in the updated MSITS.

51. UNSD proposed an annex that would clarify the relationship between trade in goods, services, overlaps and things excluded.

52. WTO opposed the idea of a sectoral annex and an analytical annex. UNSD and IMF said that the analytical module was very popular in training.

53. COMESA suggested that the proposed analytical annex could include something on sectoral issues.

54. It was agreed to drop the question on a sectoral annex, but keep a question on an analytical annex and include some ideas on what it might contain.

Process and timing of consultation process

55. It was agreed that IMF would send the questionnaire to BOP correspondents, UNSD to national statistics offices (NSOs), WTO to national delegations as important users. Identified regional organisations, such as COMESA, ECLAC, ESCWA, and CARICOM would be included in the consultation. The TF would draw up a list of such organisations.

56. It was suggested that it might be useful to organise a meeting to discuss the Manual with negotiators and compilers to improve the dialogue. Germany supported this idea. If there were a seminar in the consultation period it could be used for this purpose. This should be investigated by TF members.

57. The aim was to distribute the questionnaire in early May 2006 for about a 10 week period. OECD would redraft the consultation document by 24 March and members would translate it on a voluntary basis.

Further work on CPC link to EBOPS

58. UNSD presented TFSITS (06) 9 *Further work on the CPC link to EBOPS*. The CPC had incorporated some changes which made some minor improvements to the link to EBOPS. The process of CPC revision was now finished, and so now the potential for strengthening links would pass to the revision of EBOPS. The paper set out in annex 1 the changes to CPC that strengthened the EBOPS link and in annex 2 the changes that should be considered in the revision of EBOPS to strengthen the CPC-EBOPS link further.

59. CPC version 2 now has a new concept of products which might be described as 'intangible goods' (e.g. software and R&D originals). The CPC does not clearly distinguish goods from services. These originals are outcomes of activities that are services. R&D is performed in the hope of developing some new product, idea, design or process that can be sold in the future. The question was where to place the originals as they were not services and not tangible goods, but had some characteristics in common with goods. It had been decided to place them close to the services that produced them.

60. There are a dozen or so of these intangible goods identified in the revised CPC. Some are analytically important like software and R&D originals.

61. The whole issue of information products is a particular problem. Software and other information products are scattered throughout the CPC. Software, for example, could be sold as a good, a service, an online download, or sold through licenses to reproduce.

62. EBOPS links to CPC would be focused on CPC sections 5-9, with some exceptions. Originals would be an exception, but there could be others. It would be necessary in the revision of EBOPS to account for all products in CPC 5-9 and any products that were excluded should be for clearly specified reasons.

63. **Eurostat asked UNSD to provide a list of the Originals and any other ‘intangible goods’. A working paper was planned by end 2007 establishing the links between EBOPS and CPC. UNSD and IMF, which has committed one person to work on this issue, would work together on this project.**

Item 4 Knowledge Transfer and Technical Cooperation

WTO Hong Kong Ministerial Declaration and follow up on statistical needs related to trade in services

64. The World Trade Organization delegate reported on the Hong Kong Ministerial Declaration in December 2005, which had called for further work on technical assistance to developing countries on compilation and analysis of statistics related to trade in services. WTO is drafting a note setting out the background, with three ways of responding: raising awareness, compilations of statistics, and analysis. There would be evaluation and monitoring of technical assistance. WTO was budgeting for two national seminars per year for developing countries on their own request. They could be for statisticians or negotiators or both. One such seminar was planned in Chinese Taipei in 2006. There could be envisaged something similar for regions.

65. Funding would be from WTO or from other organisations complemented by WTO. WTO needed to know well in advance the need for technical assistance.

66. **The TF noted the Ministerial call for further work on statistics through technical assistance. The mechanism to initiate this is through a country request to the WTO. The TF requested that WTO provide more information in due course and address the issue of whether and how the TF might contribute to this work.**

Technical assistance and planned TF seminars

67. UNSD presented a coordination *update*. They requested that Organisations inform UNSD of technical assistance events. UNSD provisionally planned a training seminar in the second half of 2006, but it depended on securing the necessary budget provision.

68. The IMF delegate said that IMF was planning a regional three day seminar for developing countries that could use and augment the training module prepared by the TF. IMF training is for its member countries.

69. COMESA asked whether, in the event of funding being made available, TF agencies could find and contribute resource persons for a training seminar. In principle several agencies thought this was possible, but the longer in advance notice was received the more likely a positive reaction would be.

COMESA Trade-in-Services project

70. COMESA gave a presentation on its Trade-in-Services project. COMESA’s headquarters were in Lusaka, Zambia. COMESA had 20 member countries of which 12 belonged to its free trade area. A project to develop a regional framework for liberalizing trade in services was being funded by UK Department for International Development (DFID) and the European Development Fund. A regional trade impact assessment, which considered investment and employment dimensions, was needed and currently there was no regional database on trade in services. Part of the project was to create such a database.

Improving links with regional country groupings working on trade in services measurement

71. UNSD introduced TFSITS (06) 10 describing its cooperation with regional organizations. UNSD planned to approach countries and country groupings to improve the collection of trade-in-services data. It reported reasonably good working arrangements with regional organizations. It planned to participate in some regional workshops and would keep the TF informed of developments. IMF asked UNSD to consider the need for more advance consultation with partner organizations if there was to be cooperation. **COMESA suggested that the TF consider developing a list of country experts who may be able to offer training at regional seminars. The TF agreed to consider this further.**

The TF website and newsletter

72. UNSD presented TFSITS (06) 11 describing developments on the TF website and the Newsletter, the first edition of which was recently posted and circulated. The next Newsletter was planned for May and suggestions for contributions invited.

73. **It was proposed and the TF agreed that the Consultation Document would be the centrepiece of the May TF Newsletter.**

Item 5. Monitoring progress on international trade-in-services data collection, dissemination, and quality.

Future Work on bilateral asymmetries and model of world flows of trade in services

74. OECD presented a planned project on bilateral asymmetries in trade in services. The OECD-Eurostat Expert meeting on Trade-in-services statistics had requested the OECD to make bilateral asymmetries systematically available to compilers. Further the OECD Trade Directorate had sought assistance with modeling 'South-South' flows of trade in services.

75. The project would aim for each flow to make available reported flows, mirror flows, an asymmetry coefficient, and, in versions for modelers, ideas on estimated flows. In addition to bilateral asymmetries the project also envisaged presenting, what were described as multilateral asymmetries and total asymmetries.

76. **TF Comments were invited on the OECD asymmetry project. Eurostat, IMF and TG Travel offered to share their experiences with analysis of asymmetries.** IMF said they estimated missing values for trade-in-services based on changes in GDP and real exchange rates for the IMF Research Institute. OECD were reminded that countries were naturally sensitive to the ways their asymmetry data were presented by international organizations. **The presentation would be circulated by OECD.**

Organisations reports on developments

77. UNSD introduced TFSITS (06) 12, which set out its plans to collect trade-in-services data. UNSD was collaborating with Eurostat for the collection of detailed SITS data of all European Union member states to ensure storing and dissemination of identical data for the EU countries and not to create additional reporting burden. Further, UNSD has started direct data collection from selected countries including USA, Canada, Russian Federation, China Hong Kong SAR, Japan, Belarus and Ukraine. All these data have been loaded into UN Servicetrade.

78. In May 2006, UNSD planned to send letters to all (not yet contacted) national statistical offices requesting detailed SITS data (EBOPS by partner) or assistance in making arrangements with the responsible compiling agency.

79. The test version of UN Service Trade database was available on the Internet to TF members (password protected) for inspection. The database was expected to go live by the end of 2006.

80. OECD expressed concern over possible duplication of data collection from member countries. Eurostat said that two data collections would inevitably lead to discrepancies in results. COMESA reminded the TF of the need for effective cooperation between organisations, to make best use of resources and the avoiding of unnecessary red tape.

81. IMF reported concerns about the quality of BOP data reported on trade in services generally as well as the declining number of countries reporting trade-in-services.

82. The TF noted with concern the decline in numbers of countries reporting trade in services items in BOP and would investigate.

Item 6. Any other business.

83. UNSD proposed that the TF register classification decisions on EBOPS. The proposal was set out in paper TFSITS (06) 13. Due to shortage of time the Chair proposed and **the TF agreed to consult UNSD classifications and IMF and discuss at the next TF meeting.**

Item 7. Dates of Future TF Meetings

84. The next TF meeting was planned in Paris on 15 September 2006 back-to back with the OECD-Eurostat Trade in services Expert Meeting.

85. A longer TF meeting was proposed for January 2007, possibly 3 days, to discuss the worldwide consultation responses on updating MSITS and to decide on a selected set of issues, with recommendations for future directions. Madrid and Geneva were proposed as possible locations for the January 2007 meeting. **Dates and venue of January 2007 TF meeting would be decided by email discussion.**

List of Conclusions and Actions

1. With some reservations, the TFSITS concluded that the AEG compromise on merchanting was broadly acceptable.
2. The TF welcomed the TG Travel contribution as very useful, and noted the need for clarification in BPM6 on expenditure on second homes by non-residents and on the scope of the travel item.
3. The TF noted the conceptual and analytical interest to do more regarding product breakdowns of BOPS and EBOPS, and that the business/personal split of travelers was not just for national accountants but for a range of policy needs. The BOPCOM had already concluded on the core items of BOPS, and the TFSITS supported for BPM6 to include the alternative breakdown for “travel” as proposed in the Annotated Outline of a revised BPM5, with some editorial amendment to specify that “transport services” were local and within the economy visited. A clarification of the scope of travellers expenditure, noting any exclusions, would be necessary in the BPM revision.
4. The TF noted the letter from OECD on goods for processing and shared many of the concerns expressed in it. It agreed that there was now a need for further work with countries and other interested parties to discuss how the SNA decision could be implemented in the most satisfactory manner in order to achieve international comparability of trade data in practice.
5. The TF asked the Secretariat to present some alternative proposals for a breakdown of section 10 *other business services* (to be dealt with by TF electronic discussion). It would be desirable to take into account both the importance of the sub-items, the CPC link in the alternative breakdowns and the limited nature of the breakdown that could be envisaged by countries for BOP purposes. It was agreed that the question of call centres and online products should be addressed in the revision of EBOPS not BOPS.
6. A BOPS issues paper for IMF BOPCOM with recommendations should be prepared by July 2006 (OECD/IMF).

Consultation process and timing

7. It was agreed that IMF would send the consultation document on the update of MSITS to balance of payments correspondents, UNSD to national statistics offices (NSOs), WTO to national delegations as important users. Identified regional organisations, such as COMESA, ECLAC, ESCWA, and CARICOM would be included in the consultation. The TF would draw up a list of such organisations.
8. The aim was to distribute the questionnaire in early May 2005 for about a 10 week period. OECD would redraft the consultation document by 24 March and members would translate it on a voluntary basis.
9. Eurostat asked UNSD to provide a list of the CPC Originals and any other ‘intangible goods’. A working paper was planned by end 2007 establishing the links between EBOPS and CPC. UNSD and IMF, which has committed one person to work on this issue, would work together on this project.
10. The TF noted that the WTO Hong Kong Ministerial called for further work on statistics of trade-in-services through technical assistance. The mechanism to initiate this is through a country request to the WTO. The TF requested that WTO provide more information in due course and address the issue of whether and how the TF might contribute to this work.

11. It was suggested that the TF consider developing a list of country experts, who may be able to offer training at regional TIS seminars. The TF agreed to consider this further.
12. It was proposed and the TF agreed that the Consultation Document on updating MSITS would be the centrepiece of the May 2006 TF Newsletter.
13. TF Comments were invited on the OECD asymmetry project. Eurostat, IMF and TG Travel offered to share their experiences with analysis of asymmetries. The presentation would be circulated by OECD.
14. The TF noted with concern the decline in numbers of countries reporting trade in services items in BOP and would investigate.
15. TF agreed to consult UNSD classifications and IMF on a possible registry of EBOPS classifications decisions and discuss this issue at the next TF meeting.
16. The next TF meeting was planned in Paris on 15 September 2006 back-to back with the OECD-Eurostat Trade in services Expert Meeting.
17. Dates and venue of the January 2007 TF meeting would be decided by email discussion.

Annex 1

**List of Participants in
Task Force Meeting of 21-22 February 2006 UN, New York**

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**MEETING OF THE TASK FORCE ON STATISTICS
OF INTERNATIONAL TRADE IN SERVICES**

21-22 February 2006

UN Main Building, New York

AGENDA

- 1. Adoption of the agenda**
- 2. Revision of Balance of Payments Manual related to trade in services frameworks**
 - a) SNA AEG Jan/Feb 2006 and CPC version 2 developments related to trade in services – UNSD reports for information
 - b) Preparation of BOP Services classification paper for IMF BOP Committee:
 - i) TFSITS (06) 2 - The revision of Travel-related concepts in the balance of payments: Eurostat Technical Group Travel - Mr Giuseppe Ortolani UIC
 - ii) TFSITS (06) 3 - Presentation by World Tourism Organization (UNWTO)
 - iii) TFSITS (06) 4 - Draft BOPS paper presented by IMF/OECD
Also TFSITS (06) 7 Letter on Goods for Processing
- 3. Update of the Manual on Statistics of International Trade in Services**
 - a. Discussion of proposed issues to be reviewed in the Update – TFSITS (06) 6 Paper by OECD
 - b. Consultation document for worldwide consultation - TFSITS (06) 6 Draft prepared by OECD (*the consultation document should be finalized at this TF meeting*)
 - c. Process and timing of worldwide consultation
 - d. Further work on CPC link to EBOPS – IMF/UNSD - TFSITS (06) 8 (not circulated) and TFSITS (06) 9
- 4. Knowledge transfer and technical cooperation:**
 - a. WTO Hong Kong Ministerial Declaration and follow up on statistical needs related to trade in services – oral report by WTO
 - b. Technical assistance and planned TF seminars – coordination update presentation by UNSD
 - c. COMESA Trade in Services project – presentation by COMESA
 - d. Improving links with regional country groupings working on trade in services measurement e.g. CARICOM/ COMESA/ ECLAC etc - TFSITS (06) 10
 - e. The TF website, newsletter and posting of TF papers – UNSD report – TFSITS (06) 11
- 5. Monitoring progress on international trade in services data collection, dissemination, and quality.**

- Future Work on bilateral asymmetries and model of world flows of trade in services – Project Presentation by OECD
- Organisations will be invited to report on developments - TFSITS (06) 12

6. Any other business.

- Proposal to register classification decisions - UNSD - TFSITS (06) 137.

7. Dates and locations of future TF meetings

Annex 3 List of Papers

- TFSITS (06) 1 Report of the TFSITS 16 Sep 2005 Meeting
- TFSITS (06) 2 The revision of Travel-related concepts in the balance of payments:
Eurostat - Technical Group Travel
- TFSITS (06) 3 Breaking down the travel item of the Balance of payments according to the purpose of the trip into business and personal - World Tourism Organization
- TFSITS (06) 4 Balance of Payments Classification of Services - OECD
- TFSITS (06) 6 Updating of the Manual on Statistics of International Trade in Services for 2008 – OECD
- TFSITS (06) 7 Letter on Goods for Processing from Andreas Lindner OECD
- TFSITS (06) 8 Abbreviated CPC Ver.2 draft – 30.11.2005 (Restricted)
- TFSITS (06) 9 Further work on the CPC link to EBOPS - UNSD
- TFSITS (06) 10 UNSD Cooperation with Regional Organizations - UNSD
- TFSITS (06) 11 The TF Website and Newsletter - UNSD
- TFSITS (06) 12 UNSD data collection and database development - UNSD
- TFSITS (06) 13 Arrangements to reach and document TFSITS classification decisions - UNSD
- TFSITS (06) 14 IMF's STATISTICS DEPARTMENT TECHNICAL ASSISTANCE AND TRAINING ACTIVITY IN THE AREA OF INTERNATIONAL TRADE IN SERVICES WITHIN THE BALANCE OF PAYMENTS FRAMEWORK – IMF STA
- TFSITS (06) 15 STA DATA COLLECTION OF THE EXTENDED BALANCE OF PAYMENTS SERVICES COMPONENTS – IMF

Room document 1 Draft Summary Report of SNA AEG February 2006