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STATISTICS OF INTERNATIONAL TRADE IN SERVICES: OECD'S MEDIUM TERM STRATEGY, PRIORITIES AND ORGANISATIONAL ISSUES

A Note by OECD Secretariat

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**STATISTICS OF INTERNATIONAL TRADE IN SERVICES:
OECD'S MEDIUM TERM STRATEGY, PRIORITIES AND ORGANISATIONAL ISSUES**

This paper sets out a medium term strategy for the OECD Secretariat related to the implementation of the recommendations of the Manual on Statistics of International Trade in Services (*Manual*). As trade in services data collection is an issue affecting a number of Directorates, it proposes a coordinated programme of actions that will enable countries to report their data according to a standard framework of questionnaires/ codes to OECD within three years and enable OECD to process and disseminate the data. The programme will be overseen by a newly established inter-directorate coordination group.

The *Manual* was approved as an international manual in March 2001, by the UN Statistics Commission. The sponsoring agencies OECD, the European Commission, IMF, UN, UNCTAD and WTO plan to promote the *Manual's* recommendations in order to support and inform trade, policy-making, analysis and negotiations as well as monitor trade agreements for their Member countries.

The current negotiations under the WTO General Agreement on Trade in Services (GATS), the implementation and review of the Agreement on Trade-Related Intellectual Property Rights (TRIPs) and the launch of a new round of trade negotiations are likely to sustain and intensify the call for relevant statistical information to be made available.

There is a need to produce statistics on international trade in services including resident/non-resident trade, foreign affiliates trade, foreign direct investment and other relevant indicators of trade in an internationally agreed and standardised framework.

The *Manual* offers the basis for such a framework and sets out a number of principal recommendations in Chapter 1 paragraphs 1.18 - 1.28. Of these certain ones are designated as core recommendations. The recommendations may be summarised as follows:

Core

1. Implement the BPM5 recommendations for trade in services
2. Disaggregate the BPM5 services classification according to the Extended Balance of Payments Services (EBOPS) Classification (see Annex 1).
3. Collect complete statistics on Foreign Direct Investment (FDI) including flows, income and period-end positions classified by ISIC activities to be complementary to Foreign Affiliates Trade in Services (FATS) statistics.
4. Record certain basic FATS statistics such as sales (turnover)/ output; employment; value added; exports; imports; number of enterprises classified according to ISIC Categories for Foreign Affiliates (ICFA see Annex 2)
5. Compile statistics of trade by partner country:
 - on balance-of-payments (BOP) trade in services for total services and at least by the main BPM5 service categories;

- for FATS and FDI in aggregate and for the main industry categories in ICFA;
- using a common geographical basis for all three;
- countries should prioritise main trading partners.

Other recommendations:

6. Complete the EBOPS and memorandum items to the extent relevant to the compiling economy.
7. Augment the basic FATS statistics by adding more variables such as assets, net worth, operating surplus, gross fixed capital formation, research and development expenditure and compensation of employees. Split sales by goods and services and further by product if possible.
8. Collect statistics on natural persons under the GATS framework, both those from the compiling economy working abroad and foreign natural persons working in the compiling economy, taking into account the needs, resources, and special circumstances of the compiling country. In this process, the framework, and definitions set out in Annex I of the Manual should be used as a guide¹.
9. Within the statistics on trade in services between residents and non-residents, separate out the trade with related parties from that with unrelated parties².
10. Allocate the transactions between residents and non-residents over the GATS modes of supply. The simplified procedure set out in section III.F of the *Manual* may be used as a starting point in compiling a first approximation of this allocation.

It is recognised that the *Manual* is only a first step to meeting user needs. It has to be implemented and in addition there are a number of areas where further work is needed, in e-commerce, software trade and natural persons. The new round of WTO trade negotiations, along with growing public interest in, and controversy surrounding, trade in services will add to the pressures to further improve measurement of trade in particular types of services such as health, education, tourism, telecommunications, financial and environmental services.

The *Manual* interprets trade in services broadly to reflect trade agreements including in scope:- balance-of-payments trade in services, foreign affiliates trade in services, trade related employment of foreign persons and uses foreign direct investment and other data sources as relevant indicators.

Medium term aims and objectives:

The priority now is to promote and facilitate implementation of the *Manual's* recommendations and collect data in cooperation with other sponsoring agencies. (The OECD Secretariat therefore proposes, within three years (by end 2004):

- i. to collect data in a standard framework according to the *Manual's* core recommendations
- ii. to agree common questionnaires and coding systems with Member countries and other agencies
- iii. to agree with Member countries as far as possible standard collections for the other recommendations
- iv. to play a full part in the development and dissemination of compilation guidance

¹ Measurement of the GATS presence of natural persons is an area for further development by international agencies.

² See paragraphs 3.36-3.37 of the *Manual*.

- v. to identify national data that are GATs relevant for BOP, FATS and Movement of Natural Persons, where these are more detailed than is recommended in the *Manual*
- vi. to disseminate data appropriately together with metadata and supporting information on data quality
- vii. to pursue further development work prioritising according to statistical and policy needs and practical possibilities; agreeing recommendations for OECD countries and for future revisions of the *Manual*
- viii. to provide an annual report on progress in implementation

Eurostat is proposing to introduce a regulation to support the provision of European Community statistics on international trade in services, foreign affiliates trade, foreign direct investment and balance of payments that would implement the *Manual's* core recommendations in a way that meets European Commission information needs taking into account EU Member States reporting possibilities.

IMF has stated that it will not require countries to report more than BPM5 recommendations for reporting international trade in services but that it aims to enable countries to report according to the more disaggregated EBOPS if they choose to do so.

Current position at OECD, IMF and Eurostat

Three OECD Directorates³ currently (in 2001) collect data related or relevant to international trade in services, namely Statistics Directorate (STD), Directorate of Science, Technology and Industry (DSTI) and the Directorate for Financial Fiscal and Enterprise Affairs (DAFFE). Trade Directorate (ECH) is the principle data user:

- STD collect balance-of-payments trade in services data according to the Joint OECD-Eurostat Classification on a standard questionnaire. EU data collected from Eurostat. There is joint "Y3" questionnaire and a joint annual publication with Eurostat.
- STD collect balance-of-payments trade in services by partner country and by region for services as a whole and broken down according to types of service readily available in countries. An OECD dissemination is proposed in 2002.
- DSTI collect FATS data inward and outward broken down by broad industry groups for a set of variables and by partner country. There is a joint questionnaire with Eurostat.
- DAFFE collects FDI inward and outward data broken down according to broad industry groups and by partner country.

IMF collects quarterly BOP data according to BPM5 codes including FDI data and for trade in services allows countries to report according to the OECD-Eurostat classification, if they wish to do so.

Eurostat collects monthly, quarterly and annual BOP data including annual FDI as well as annual FATS data according to standard geographical breakdowns. (Unit B5 collects BOP, FDI and FDI related FATS data and Unit D2 collects FATS data based on structural enterprise statistics)

³ Another Directorate (Directorate for Education, Employment, Labour and Social Affairs [DEELSA]) may have indirect information on movement of natural persons through for example immigration or labour statistics

Future Tasks and organisational issues

The main tasks would include (not exhaustive):

- development of compilation guidance and website help;
- development of questionnaires for balance-of-payments trade in services, which permit reporting of EBOPS categories and suitable intermediate aggregations and geographical breakdowns;
- proposals of questionnaires for FATS, which includes the core variables, activity breakdowns related to ICFA with suitable intermediate aggregations, and geographical breakdowns;
- consideration of FDI questionnaires to see how they might be more closely aligned with the FATS developments and develop proposals;
- further study of geographical breakdowns, especially definitions of regional groupings, suitable for all OECD countries and the particular problems of reporting trade in services needs further study. There is considerable variation in national definitions of regional groupings. It would be desirable for users if these can be more closely harmonised for BOP, FATS and FDI;
- general coordination on matters of common interest between work on trade in services, foreign affiliate trade and foreign direct investment statistics;
- database development to accommodate the greater inflow and complexity of data;
- project work on further developments.

The programme is to be supervised and prioritised by the newly established *Coordination Group on Statistics related to Trade in Services* drawn from STD, ECH, DSTI, DAFFE and other Directorates as necessary (e.g. the Directorate for Education, Employment, Labour and Social Affairs [DEELSA]), reporting to the Trade-in-services Statistics expert group and other working groups involved. Interagency coordination will continue in the Intergency Task Force on Statistics of Trade in Services.

Conclusions

The implementation of the *Manual's* recommendations in countries and in international organisations such as OECD will require a sustained and coordinated effort within limited resources with actors not hitherto necessarily used to working closely together. The OECD is committed to making this effort and putting in place the programme outlined above.

As data collection relevant to trade in services, as defined in the *Manual*, is an issue affecting a number of Directorates, it proposes a coordinated programme of actions that will enable countries to report their data according to a standard framework of questionnaires/ codes to OECD within three years and enable OECD to process and disseminate the data. The programme will be overseen by the newly established *Coordination Group on Statistics related to Trade in Services*.

Delegates comments on the proposals are invited.

Annex 1:

The Extended Balance of Payments Services classification

The EBOPS classification is given in Table 1 (over page). The further detail recommended in this classification recognises the detail necessary for trade negotiations, primarily those conducted under the GATS, as well as the importance of services in studies of globalisation. It is recognised that not all countries have the same needs for data, and that compilers will make decisions on the data to be compiled based on individual country needs. For the most part, the EBOPS classification is consistent with the BPM5 classification on the one hand and the Joint Classification of the OECD and Eurostat on the other.

The consistency between the existing classifications and the EBOPS classification is further reinforced in the coding system recommended for compilation and reporting purposes. The codes shown in the tables in Annex III are the standard codes that are used by the IMF, the OECD, Eurostat, and many country compilers when referring to balance of payments trade in services statistics.

Table 1

Extended Balance of Payments Services Classification					
	BPM5 standard components	BPM5 supplementary items	BPM5 memorandum items	Joint Classification components	Internationally accepted codes
Component					
1 Transportation	X			X	205
1.1 Sea transport	X			X	206
1.1.1 Passenger	X			X	207
1.1.2 Freight	X			X	208
1.1.3 Other	X			X	209
1.2 Air transport	X			X	210
1.2.1 Passenger	X			X	211
1.2.2 Freight	X			X	212
1.2.3 Other	X			X	213
1.3 Other transport	X			X	214
1.3.1 Passenger	X			X	215
1.3.2 Freight	X			X	216
1.3.3 Other	X			X	217
Extended classification of other transport					
1.4 Space transport				X	218
1.5 Rail transport				X	219
1.5.1 Passenger				X	220
1.5.2 Freight				X	221
1.5.3 Other				X	222
1.6 Road transport				X	223
1.6.1 Passenger				X	224
1.6.2 Freight				X	225
1.6.3 Other				X	226
1.7 Inland waterway transport				X	227
1.7.1 Passenger				X	228
1.7.2 Freight				X	229
1.7.3 Other				X	230
1.8 Pipeline transport and electricity transmission				X	231
1.9 Other supporting and auxiliary transport services				X	232
2 Travel	X			X	236
2.1 Business travel	X			X	237
2.1.1 Expenditure by seasonal and border workers				X	238
2.1.2 Other				X	239
2.2 Personal travel	X			X	240
2.2.1 Health-related expenditure		X		X	241
2.2.2 Education-related expenditure		X		X	242
2.2.3 Other		X		X	243
3 Communications services	X			X	245
3.1 Postal and courier services				X	246
3.2 Telecommunications services				X	247
4 Construction services	X				249
4.1 Construction abroad				X	250
4.2 Construction in the compiling economy				X	251

	BPM5 standard components	BPM5 supplementary items	BPM5 memorandum items	Joint Classification components	Internationally accepted codes
5 Insurance services	X			X	253
5.1 Life insurance and pension funding				X	254
5.2 Freight insurance				X	255
5.3 Other direct insurance				X	256
5.4 Reinsurance				X	257
5.5 Auxiliary services				X	258
6 Financial services	X			X	260
7 Computer and information services	X			X	262
7.1 Computer services				X	263
7.2 Information services				X	264
7.2.1 News agency services					889
7.2.2 Other information provision services					890
8 Royalties and license fees	X			X	266
8.1 Franchises and similar rights					891
8.2 Other royalties and license fees					892
9 Other business services	X			X	268
9.1 Merchanting and other trade-related services	X			X	269
9.1.1 Merchanting				X	270
9.1.2 Other trade-related services				X	271
9.2 Operational leasing services	X			X	272
9.3 Miscellaneous business, professional, and technical services	X			X	273
9.3.1 Legal, accounting, management consulting, and public relations		X		X	274
9.3.1.1 Legal services				X	275
9.3.1.2 Accounting, auditing, bookkeeping, and tax consulting services				X	276
9.3.1.3 Business and management consulting and public relations services				X	277
9.3.2 Advertising, market research, and public opinion polling		X		X	278
9.3.3 Research and development		X		X	279
9.3.4 Architectural, engineering, and other technical services		X		X	280
9.3.5 Agricultural, mining, and on-site processing services		X		X	281
9.3.5.1 Waste treatment and depollution				X	282
9.3.5.2 Agricultural, mining, and other on-site processing services				X	283
9.3.6 Other business services		X		X	284
9.3.7 Services between related enterprises, n.i.e.				X	285
10 Personal, cultural, and recreational services	X			X	287
10.1 Audiovisual and related services	X			X	288
10.2 Other personal, cultural, and recreational services	X			X	289
10.2.1 Education services					895
10.2.2 Health services					896
10.2.3 Other					897
11 Government services, n.i.e.	X			X	291
11.1 Embassies and consulates				X	292
11.2 Military units and agencies				X	293
11.3 Other government services				X	294

Memorandum items					
	BPM5 standard components	BPM5 supplementary items	BPM5 memorandum items	Joint Classification components	Internationally accepted codes
1 Freight transportation on merchandise, valued on a transaction basis				X	853
1.1 Sea freight				X	856
1.2 Air freight				X	857
1.3 Other freight				X	858
1.4 Space freight					862
1.5 Rail freight					863
1.6 Road freight				X	864
1.7 Inland waterway freight					865
1.8 Pipeline freight					868
2 Travel					
2.1 Expenditure on goods					869
2.2 Expenditure on accommodation and food and beverage serving services				X	870
2.3 All other travel expenditure					871
3 Gross insurance premiums			X	X	874
3.1 Gross premiums—life insurance					875
3.2 Gross premiums—freight insurance					876
3.3 Gross premiums—other direct insurance					877
4 Gross insurance claims			X	X	879
4.1 Gross claims—life insurance					880
4.2 Gross claims—freight insurance					881
4.3 Gross claims—other direct insurance					882
5 Financial intermediation services indirectly measured (FISIM)					887
6 Financial services including FISIM					888
7 Merchanting gross flows				X	893
8 ⁴ Audiovisual transactions					894

⁴ This item consists of a range of services and other transactions relating to audiovisual activities. Included are services that may be included in either *audiovisual services* or *royalties and license fees*, and also the acquisition and disposal of non-produced, non-financial assets relating to audiovisual activities, such as patents, copyrights, trademarks, and franchises.

Annex 2: ISIC Categories for Foreign Affiliates (ICFA)

	<u>ISIC code</u>
1. Agriculture, hunting, forestry, and fishing	01, 02, 05
1.1. Agriculture, hunting, and related service activities	01
1.2. Forestry, logging, and related service activities	02
1.3. Fishing, operation of fish hatcheries and fish farms; services activities incidental to fishing	05
2. Mining and quarrying	10, 11, 12, 13, 14
<i>of which: Services activities incidental to oil and gas extraction excluding surveying</i>	112
3. Manufacturing	15 to 37
4. Electricity, gas, and water supply	40, 41
5. Construction	45
6. Trade and repair	50, 51, 52
6.1. Sale, maintenance, and repair of motor vehicles and motorcycles; retail sale of automotive fuel	50
6.2. Wholesale trade and commission trade, except of motor vehicles and motorcycles	51
6.3. Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods	52
7. Hotels and restaurants	55
8. Transport, storage, and communications	60, 61, 62, 63, 64
8.1. Transport and storage	60, 61, 62, 63
8.1.1. Land transport; transport via pipelines	60
8.1.1.1. Transport via railways	601
8.1.1.2. Other land transport	602
8.1.1.3. Transport via pipelines	603
8.1.2. Water transport	61
8.1.2.1. Sea and coastal water transport	611
8.1.2.2. Inland water transport	612
8.1.3. Air transport	62
8.1.3.1. Scheduled air transport	621
8.1.3.2. Non-scheduled air transport	622
8.1.4. Supporting and auxiliary transport activities; activities of travel agencies	63
8.1.4.1. Supporting and auxiliary transport activities	6301, 6302, 6303, 6309
8.1.4.2. Activities of travel agencies and tour operators; tourist assistance activities, not elsewhere classified (n.e.c).	6304
8.2. Post and telecommunications	64
8.2.1. Post and courier activities	641
8.2.2. Telecommunications	642

9.	Financial intermediation	65, 66, 67
9.1.	Financial intermediation, except insurance and pension funding	65
9.2.	Insurance and pension funding, except compulsory social security	66
9.2.1.	Life insurance	6601
9.2.2.	Pension funding	6602
9.2.3.	Non-life insurance	6603
9.3.	Activities auxiliary to financial intermediation	67
9.3.1.	Activities auxiliary to financial intermediation, except insurance and pension funding	671
9.3.2.	Activities auxiliary to insurance and pension funding	672
10.	Real estate activities	70
11.	Renting of machinery and equipment without operator and of personal and household goods	71
12.	Computer and related activities	72
13.	Research and development	73
14.	Other business activities	74
14.1.	Legal, accounting, market research, and consultancy	741
14.1.1.	Legal activities	7411
14.1.2.	Accounting, bookkeeping, and auditing activities; tax consultancy	7412
14.1.3.	Market research and public opinion polling	7413
14.1.4.	Business and management consultancy activities	7414
14.2.	Architectural, engineering, and other technical activities	742
14.3.	Advertising	743
14.4.	Business activities, n.e.c.	749
15.	Education	80
16.	Health and social work	85
17.	Sewage and refuse disposal, sanitation, and similar activities	90
18.	Activities of membership organisations, n.e.c.	91
19.	Recreational, cultural, and sporting activities	92
19.1.	Motion picture, radio, television, and other entertainment activities	921
19.1.1.	Motion picture and video production and distribution; motion picture projection	9211, 9212
19.1.2.	Radio and television activities	9213
19.1.3.	Other arts and entertainment activities	9214, 9219
19.2.	News agency activities	922
19.3.	Library, archives, museums, and other cultural activities	923
19.4.	Sporting and other recreational activities	924
20.	Other service activities	93

Note. The following ISIC categories have been excluded from ICFA because they are not relevant for foreign direct investment or for FATS: (i) public administration and defence; compulsory social security (ISIC division 75), (ii) private households with employed persons (division 95), and (iii) extra-territorial organisations and bodies (division 99). Otherwise, all ISIC categories are included.