

STATISTICS DIRECTORATE

Cancels & replaces the same document of 11 September 2006

National Accounts and Economic Statistics - Services

Item19a: Progress Report, Worldwide Consultation and Next Step

**7th OECD INTERNATIONAL TRADE STATISTICS EXPERT MEETING ITS
and OECD-EUROSTAT MEETING OF EXPERTS IN TRADE-IN-SERVICES STATISTICS (TIS)**

UPDATING OF THE MANUAL ON STATISTICS OF THE INTERNATIONAL TRADE IN SERVICES

Tour Europe - Paris La Défense, Salle des Nations, 11 - 14 September 2006

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UPDATING OF THE MANUAL ON STATISTICS OF INTERNATIONAL TRADE IN SERVICES

Progress report

The process of the updating of the Manual on Statistics of International Trade in Services (MSITS) has progressed this spring and summer with a worldwide consultation on issues for the updating.

A consultation document and questionnaire, was agreed in April 2006 by the international agencies in the TFSITS. The document set out the reasons for the update, the time table, and specific questions on a range of identified issues and is attached at Annex 1

The consultation document and questionnaire was sent to all NSOs by UNSD, all balance of payments correspondents by IMF, and by WTO to all its national trade delegations. The document was also sent to a wide range of interested international organizations. The document was also made available in 5 languages:- Arabic, English, French, Spanish and Russian, and placed on the UNSD website. The deadline for responses was 31 July 2006.

To date (3 September 2006) 110 replies have been received, excluding duplicates, from 89 countries and 6 international organizations. This included 101 responses to the questionnaire. A statistical summary of which countries and organisations responded is set out in table 1.

The TFSITS is summarizing the responses and will begin to review them on 15 September, which will start the process of drafting a first annotated outline of an updated MSITS by February 2007.

Table 1 Summary of which countries and organizations responded

	COUNTRY	CONT	LANGUAGE					SOURCE					Last updated: 3/09/2006		
			A	E	F	R	S	CB	IO	NSO	FM	TM	Questionnaire		
1	AFRISTAT	AF			X			X							General remark
2	ALBANIA	EU		x						X					No Comments
3	ARMENIA	AS				x				X				1	
4	AUSTRALIA	OC		x						X			X	2	
5	AUSTRIA	EU		x				X						1	
6	AZERBAIJAN	AS				x				X				1	
7	BAHAMAS	AM		x				X						1	
8	BAHRAIN	AS		x				X						1	
9	BELARUS	EU				x		X		X				2	
10	BELGIUM	EU		x				X						1	
11	BOLIVIA	AM					x	X					x	1	
12	BRAZIL	AM		x				X						1	
13	BULGARIA	EU		x				X						1	
14	CAMBODIA	AS		x				X						1	
15	CANADA	AM		x						X				1	
16	CARICOM	AM		x					X					1	

17	CHINA	AS		x				X									1	
18	CHINA HK SA	AS		x						X							1	
19	CHINA MC SA	AS		x				X		X							2	
20	COLOMBIA	AM					x	X									1	
21	COSTA RICA	AM		x						X							No Comments	
22	COTE D'IVOIRE	AF			x			X									1	
23	CROATIA	EU		x				X									1	
24	CYPRUS	EU		x				X									1	
					A	E	F	R	S	C	I	N	S	F	T	Q		
										B	O	O	M	M	u	est		
25	CZECH REP	EU		x					X			x					1	
26	DENMARK	EU		x								X					1	
27	ECUADOR	AM						x				X					No Comments	
28	EGYPT	AF		x					X								1	
29	EL SALVADOR	AM						x	X								1	
30	EUROSTAT	EU		x						X							1	
31	FINLAND	EU		x					X								1	
32	FRANCE	EU			x				X								1	
33	GABON	AF			x							X					1	
34	GAMBIA	AF		x								X					No Comments	
35	GEORGIA	AS		x								X					1	
36	GERMANY	EU		x					X					X			2	
37	GUATEMALA	AM						x	X								1	
38	GUINEA BISSAU	AF			x				X			X					2	
39	HUNGARY	EU		x					X			X					2	
40	INDIA	AS		x					X								1	
41	INDONESIA	AS		x					X								1	
42	IRAN	AS		x								X					1	
43	IRAQ	AS	x						X			X					2	
44	ISRAEL	AS		x								X					1	
45	ITALY	EU		x					X								1	
46	JAPAN	AS		x								X					No Comments	
47	JORDAN	AS	x	x					X			X					2	
48	KAZAKHSTAN	AS				x			X								1	
49	KUWAIT	AS		x					X								1	
50	KYRGYZSTAN	AS					x		X			X					2	
51	LATVIA	EU		x					X			X					2	
52	LITHUANIA	EU		x					X			X					1	
53	MACEDONIA, TFYR	EU		x								X					1	
54	MALI	AF			X							X					1	
55	MALTA	EU		x								X					1	
56	MAURITIUS	AF		x					X								1	
57	MEXICO	AM						x				X					No comments	
58	MOLDOVA, REP. of	EU		x		x			X			X					2	
59	MONGOLIA	AS		x								X					1	
60	MOROCCO	AF			x				X					X			1	
61	NETHERLANDS	EU		x								X					1	
62	NEW ZEALAND	OC		x								X					1	
63	NORWAY	EU		X								X					1	
64	OMAN	AS		x					X								No comments	
65	PAKISTAN	AS		x					X								1	
66	PALESTINE (OCC. TERRIT.)	AS	x						X			X					2	
67	PANAMA	AM						x					X	X			1	
68	PERU	AM						x				X					1	
69	PHILIPPINES	AS		x								X					1	
70	POLAND	EU		x					x			X		x			1	
71	PORTUGAL	EU		x					X								1	
72	ROMANIA	EU		x								X					Cannot open attached file	

73	RUSSIAN FED	EU		X	X				X			1	
74	SERBIA	EU		x				X				1	
75	SIERRA LEONE	AF		x				X				1	
76	SINGAPORE	AS		x					X			1	
77	SLOVAKIA	EU		x				X				1	
78	SOUTH AFRICA	AF		x				X				1	
79	SPAIN	EU					x	X		X		1	
80	ST.VINCENT, GREN	AM		x						X		1	
81	SUDAN	AF		x				X				1	
82	SWITZERLAND	EU		x	x			X		X		2	
83	TANZANIA	AF		x				X				1	
84	THAILAND	AS		x				X		X	X	2	
85	TRINIDAD & TOBAGO	AM		x						X		1	
86	TURKEY	AS		x				X				1	
87	UK	EU		x						X	X	2	
88	UKRAINE	EU		x							X	1	
89	UNESCO			x					X			1	
90	UNODC-Vienna			x					X			No Comments	
91	UNSIAP			x					X			1	
92	URUGUAY	AM					x	X				1	
93	USA	AM		x						X		1	
94	VIET NAM	AS		x				X		X		2	
95	YEMEN	AS		x						X		1	
	Total questionnaires											101	
A	Arabic	AF= Africa					CB		Central Bank or Foreign Exchange Agency				
E	English	AM= Americ a					I O		International Organization				
F	French	AS= Asia					NS O		National Statistics Office				
R	Russian	EU= Europ e					FM		Finance Ministry				
S	Spanish	OC= Ocea nia					TM		Trade Ministry				

Responses (excluding confirmed duplicate, and including replies without Questionnaire attached)	
Total	110
Countries	89
Countries replying to questionnaire	81
International Organization	6
Central Bank	54
National Statistics Office	54
Finance Ministry	1
Trade Ministry	9
Questionnaires by continent	
Africa	12
America	14
Asia	32
Europe	38
Oceania	3
By language (only replies with Questionnaire attached)	
Arabic	7
English	68
French	8
Russian	10
Spanish	8
TOTAL QUESTIONNAIRES	101

ANNEX 1

Updating of the Manual on Statistics of International Trade in Services

Consultation Document and Questionnaire

April 2006

*This consultation document sets out the need to update the Manual on Statistics of International Trade in Services. It identifies aspects of the Manual that need updating, and offers some proposals on the scope of the update and some possible improvements **with questions for your response**. This document makes reference to the Manual which can be browsed or downloaded at <http://unstats.un.org/unsd/tradeserv/manual.htm>*

The consultation document is addressed to both compilers and users of trade in services statistics in all the member countries of the UN, IMF and WTO as well as to interested international organisations.

The views of your organisation are invited by **31 July 2006**.
Please send your comments to [std.servstat@oecd.org]

Introduction

1. The Manual on Statistics of International Trade in Services (MSITS) was first published by six agencies¹ at the end of 2002. It represented a major step forward in the measurement of this trade. One of the main aims of MSITS was to provide a framework to address the main information needs of trade negotiations and analysis, in particular the General Agreement on Trade in Services, which came into effect in January 1995.
2. The MSITS is constructed with some elaboration on two basic frameworks:
 - i) for services trade between residents and non-residents - the IMF Balance of Payments Manual Fifth Edition (BPM5), which is currently being revised;
 - ii) for foreign affiliates trade in services – the concepts and definitions are consistent with the 1993 System of National Accounts (1993 SNA) and those of the draft OECD Handbook of Economic Globalisation Indicators (HEGI), which has since been published (OECD 2005).
3. Thus MSITS provides a kind of satellite account, which is anchored in the 1993 SNA, the international accounts, trade in services, and services production. But MSITS extends the

¹ European Commission, International Monetary Fund, Organisation of Economic Co-operation and Development, United Nations, United Nations Conference on Trade and Development, and World Trade Organization

concept of trade in services beyond the traditional national accounting view of trade to consider how services are delivered internationally from a perspective more familiar to trade negotiations.

4. With the current revisions and updates of the 1993 SNA, BPM5, the activity and product classifications International Standard Industry Classification (ISIC) and the Central Product Classification (CPC), and developments in related statistical frameworks, it has become necessary to update the Manual on Statistics of International Trade in Services (MSITS). Given the relative newness of MSITS, the planned update would be **limited** in scope.

5. The Interagency Task Force on Statistics of International Trade in Services (TFSITS) has agreed to produce an updated MSITS by the end of 2008 for approval by UN Statistical Commission (UNSC) in 2009. The process begins with a worldwide scoping consultation on issues for the update of MSITS in 2006.

6. The issues for the update of MSITS are:

- the impact of the BPM5 and 1993 SNA revisions. For example the main trade in services classification, the Extended Balance of Payments Services Classification (EBOPS), will need to be reviewed. However it is emphasised that changes not reflected in the aforementioned revisions would be limited in scope;
- the measurement of modes of supply of services, in particular mode 4 (supply of services through presence of natural persons). MSITS acknowledged some unfinished business. It was envisaged that a future revision would contain a chapter setting out a statistical framework for the measurement of this mode of supply. Building on the work begun by the UNSD led Technical Sub-group on Movement of Persons - Mode 4, the TFSITS aims to prepare such a chapter;
- the revision of other linked frameworks such as Foreign Direct Investment and the Tourism Satellite Account Methodological Recommendations;
- the re-alignment of links to the revised international product and activity classifications CPC and ISIC;
- to take into account country experiences in implementing the MSITS, problems in analysing the consequent data, other progress in measuring modes of supply, and any other necessary updating.

Approximate Updating Timetable for MSITS:

May 2006 – July 2006 Worldwide consultation period on scope of update and issues to be included.

August 2006 to January 2007 TFSITS to review worldwide consultation responses on updating MSITS and draft (annotated) outline of updated MSITS. Draft Chapter on Mode 4

February to June 2007 Consultations on the outline of the updated MSITS (e.g. regional seminars, expert groups, TFSITS website).

July 2007 – March 2008 TFSITS to review comments; draft updated MSITS; and revise concordances.

April to July 2008 Worldwide consultation on final draft of updated MSITS.

September – December 2008 TFSITS to review comments and draft final submission to UNSC 2009

2009 Produce updated MSITS publication.

Issues and questions for worldwide consultation on the planned updating of MSITS

Issues and questions for Chapter 1

7. In Chapter one, the paragraphs 1.18-1.28 of MSITS include a summary list of recommendations with priorities for implementation. This was done to encourage the progressive production of a core data set to enable a reasonable degree of international comparability of data for users.

*Question 1.1 : Do you agree with the existing list of priority recommendations in Chapter 1?
Yes or No? _____*

Question 1.2 : If not , please suggest any amendments to the priority recommendations _____

*Question 1.3 : Do you agree with the existing order of priority in the recommendations in Chapter 1?
Yes or No? _____*

Question 1.4 : If not , please suggest any amendments to the order of recommendations _____

*Question 1.5 : Given the importance of partner country information it has been proposed to include the need for partner country information in the second, third and fourth recommendations, rather than having a stand alone fifth recommendation on “trade in services by partner country”.
Do you agree? Yes or No? _____*

Question 1.6 : Do you have any other comments or suggestions regarding Chapter 1? _____

Issues and questions for Chapter 2

8. Chapter 2 discusses the information needs of GATS and trade negotiations on international trade in services, describes relevant aspects of standard statistical systems and classifications related to trade in services, and outlines the recommended statistical response to the trade policy needs. The chapter will need some clarification based on this structure.

- Although the work of the UN Technical Subgroup on the Movement of Persons – mode 4² (TSG MP) is not complete, it is already clear that there will be a need for clarification of the description of mode 4. The scope of framework to measure supply of services through mode 4 will be set out, linking it to a wider view of movement of persons but clearly distinguishing it from that wider view.
- Trade analysts’ interest also suggests the need to review the statistical treatment of modes of supply. The Chapter will explain that there is no one-to-one relationship between sales and modes of supply of a service. A single service contract may involve a

² The Technical Subgroup has been working on a framework to improve the measurement of movement of people, remittances and mode 4 supply of services.

combination of modes of supply. The Chapter will outline suggestions as to how an approximate picture of the value of transactions and other indicators by mode of supply may be built up.

Question 2.1 : Do you agree with the list of issues for chapter 2? Yes or No? _____

Question 2.2 : While the statistical treatment of modes of supply will be introduced in chapter 2 in order to explain the approach of the MSITS, it has been suggested that it could be clearer for compilers to remove a more in-depth discussion, of the statistical approach to measuring modes of supply, after the treatment of the conceptual frameworks in Chapters 3 and 4.

Do you agree? Yes or No? _____ Comments: _____

Question 2.3 : Do you have any other comments or suggestions regarding Chapter 2? _____

Issues and questions for Chapter 3

9. Chapter 3 sets out trade in services between residents and non-residents of an economy in the framework of the balance of payments. The Extended Balance of Payments Services Classification (EBOPS) will remain an elaboration of the IMF Balance of Payments Services (BOPS) classification. Thus expected changes to BOPS on e.g. goods for processing, merchanting, telecommunication and information technology services, post and courier services, FISIM, insurance, royalties, travel would also be reflected in EBOPS.

10. It will be necessary to review the definition of types of service in EBOPS for updating and clarification. The *data collection* section will need to be reviewed and updated, but will not be significantly expanded, as the intention is that detailed compilation guidance will in due course be provided separately from MSITS.

11. There is also a need to review the detail and grouping of EBOPS and its memorandum items. There may be little used or outdated EBOPS items that could be aggregated with other items, dropped, or new and growing services, that should be separately identified and/or discussed. The level of detail in EBOPS could also be extended on an optional basis to show what could be reported if a country so wished.

Question 3.1 : Are there any EBOPS items that could be grouped together at a higher level? Please specify: _____

*Question 3.2 : Are there services that are not currently separately identified in EBOPS, which should be separately identified in EBOPS? Please specify: _____
Indicate whether they should be included as i) as part of the core classification or ii) as supplementary or optional items not part of the core classification*

Question 3.3 : Are there services identified in EBOPS that should be discussed in more detail? Please specify: _____

*Question 3.4 : The EBOPS link to the Central Product Classification is only partial, in particular because some items are defined by the transactor and not the product transacted. Would you like to see further efforts to strengthen and clarify the EBOPS – CPC link? Yes or No? _____
Suggestions as to how this could be achieved are invited _____*

*Question 3.5: EBOPS covers services. Should it be extended in order to cover certain traded products that CPC version 2 classifies with services, but are not clearly goods or services such as downloads from Internet of computer software, or music, or other online content .
Yes or No? _____
Any other suggestions? _____*

Question 3.6a : Currently only a minority of manufacturing processing services fees are included in trade in services, such as those processed goods being on-sold in the processing economy or to a third country. These processing services are included under “agricultural, mining and on-site processing services”. With the expansion of the trade-in-services item’s scope to include all fees for processing of goods in the revised BPM5, should ‘processing of goods’ be prominent and separately identified in EBOPS? Yes or No? _____

Question 3.6b : Should ‘processing of goods’ be included as the first item in trade in services? Yes or No? _____

*Question 3.6c : Alternatively should ‘processing of goods’ be classified as a subcomponent of ‘other business services’ Yes or No? _____
Any other suggestions? _____*

Question 3.7 : “Audiovisual transactions” was presented in MSITS as an alternate aggregation. Should this be retained? Yes or No? _____ Comments _____?

*Question 3.8: Should there be any other alternate aggregations (for example - for transport, travel, or software)? Yes or No? _____
Comments and suggestions are welcome _____*

Question 3.9: Do you have any other comments or suggestions regarding Chapter 3? _____

Issues and questions for Chapter 4

12. Chapter 4 sets out a framework for measuring the supply of services through commercial presence. It will be necessary to review material from the recently published OECD Handbook of Economic Globalisation Indicators (HEGI) and the revised Benchmark Definition of Foreign Direct Investment for issues concerning Foreign Affiliates Trade in Services, and the determinants of foreign ownership or control of firms.

13. Changes to ISIC and EBOPS will require a review of the ISIC Categories for Foreign Affiliates (ICFA).

14. It will be necessary to:

- i) consider adding a discussion of the treatment of parent companies.

- ii) review the discussion of criteria for determining control in a chain of ownership. Discuss the concept of indirect control.
- iii) review the need to include more discussion of problems that have been identified by practitioners using FATS statistics such as aggregation of national data, joint ventures and multiple minority ownership.
- iv) consider the impact of other issues such as the fully consolidated system for measuring FDI.

Question 4.1 : Chapter 4 is and will remain focused on the measurement of the supply of services through commercial presence and in particular services supplied by foreign affiliates. But the name and acronym for Foreign Affiliates Trade in Services (FATS) statistics, currently used in Chapter 4, have been criticised as ambiguous and inelegant. The framework of statistics concerning foreign affiliates is variously known by different actors as “foreign affiliates statistics”, “activities of foreign affiliates”, “foreign affiliates trade”, and “operations of foreign affiliates”.

Should the name “Foreign Affiliates Trade in Services (FATS) statistics” be maintained in MSITS? Yes or No? _____
If No suggestions for an alternative name and/or acronym are invited. _____

Question 4.2 : The list of variables for FATS statistics, summarised in paragraphs 1.21 and 1.24 should be reviewed. Are there any variables that should be added to or removed from the list of FATS variables?
Variables to be added? _____
Variables to be removed? _____

Question 4.3 : In the context of trade in services, how should the FATS variables be prioritized? Please suggest the order of priority and indicate if the priority position is (a) more closely linked to easier data collection or (b) rather based on a strong need for such statistics? _____

15. Trade negotiations focus on services products. FATS statistics are relatively new and are mainly collected by activity.

Question 4.4 : Does the text in paragraphs 4.39 to 4.54 concerning activities and products clearly describe the theoretical needs as well as the practical constraints of data collection. Yes or No? _____ Comments _____

Question 4.5 : It is suggested that the discussion of inward FATS and outward FATS should be more clearly separated. Do you agree? Yes or No? _____
Comments: _____

Question 4.6 : Do you have any other comments or suggestions regarding Chapter 4? _____

Issues and questions related to MSITS Annexes

Mode 4 Annex/Chapter

16. The planned mode 4 chapter is expected to follow the recommendations of the TSG MP to develop a measurement framework.

17. It will clarify the scope and definition of mode 4; address the provision of measures in terms of values and non monetary indicators - such as the number of foreign natural persons present in the country or flows of these (arrivals /departures)

Concordance annexes

18. The concordance annexes will all need to be updated.

Annex on TSA

19. This will be updated according to the revision of the Tourism Satellite Account: Recommended Methodological Framework and may include summary suggestions on data collection methods that can be useful both for tourism statistics and trade in services.

Possible new annexes for MSITS:

I Improving the analytic potential of trade in services data

20. The purposes of producing data on trade in services include informing trade policy and facilitating economic and trade analyses. Suggested topics could include a selection from: i) addressing linkages between services trade and production data; ii) in order to provide a fuller picture of trade in services, combining balance of payments data, foreign affiliates trade data, and mode 4 data for analysis; iii) how to link trade in services data with merchandise trade statistics showing overlaps and gaps; iv) bilateral asymmetries in trade in services data applying the data to models of world trade flows; v) analysis on a sectoral basis of trade in particular services – such as health services; vi) identification of services for which a country has a comparative advantage in trade.

Question A.1: Do you agree that a new annex should be added on analytical issues? Yes or No?

Question A.2: Please identify in order of importance the suggestions which you think should be included in such an annex from i), ii), iii), iv), v) and vi) above or add your own suggestions: _____

II Service export and import prices

Question A.3: Would it be useful to include an annex on measuring service export and import prices referring to the IMF work on this subject, if that becomes available in time ? Yes or No?

Comments: _____

General Questions

G.1 While the MSITS mainly deals with conceptual standards, it is suggested that the updated MSITS should systematically discuss the need for metadata - i.e. information about the data produced by compilers and the methods they have used in order to make them more understandable and facilitate international comparisons. Examples would be given of issues that metadata should cover. Compilers would be encouraged to note explicitly cases where international standards have not been followed. Do you agree with such an addition? Yes or No? _____

Comments: _____

G.2: Having gone through the consultation document and questionnaire do you have any further issues, comments or suggestions regarding the update of MSITS?

Thank you for your input.

Responses should be sent to [std.servstat@oecd.org] by 31 July 2006

Further information on the work of the Interagency Task Force on Statistics of International Trade in Services can be found at <http://unstats.un.org/unsd/tradeserv/taskforce.htm> and the Task Force can be contacted at Std.servstat@oecd.org .