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National Accounts and Economic Statistics - Services

Item 18 a): Draft Summary Report of the OECD-Eurostat Meeting of Experts on Trade-in-Services Statistics

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

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

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**DRAFT SUMMARY REPORT OF THE OECD-EUROSTAT MEETING OF EXPERTS
ON TRADE-IN-SERVICES STATISTICS**

14-15 September 2005, OECD La Défense, Paris

14¹ Opening session

1. The trade-in-services meeting was opened by the Chair Mrs Steger of the Deutsche Bundesbank.
2. The agenda was adopted. The report of the previous meeting in 2004 was accepted [STD/NAES/TASS/SERV(2005)M1].
3. OECD provided a report of the activities of the Interagency Task Force on Statistics of International Trade in Services (TFSITS) [STD/NAES/TASS/SERV(2005)1].
4. Eurostat gave a presentation of its activities in trade in services and related balance of payments areas. The EU Balance of Payments Regulation had been published in February 2005 and was now in force. It would be managed by the Balance of Payments Committee, which first met in July 2005. Eurostat was considering organising and hosting a new City Group on Remittances in part to investigate and improve data collection practices. A number of countries expressed an interest in this development. Regarding the Technical Group Travel there was a willingness to contribute to a future international compilation guidance module on Travel. On the Technical Group Direct Reporting, a new network Expert Group would be created.
5. UNSD presented a progress report on developments in trade in services [Room Document 4]. A pilot version of the UNServiceTrade database had been developed. UNSD planned to commence data collection in 2006. UNSD was leading the Technical Sub-Group on movement of Natural Persons (Mode 4) (TSGMNP) and the UN TSG on Classifications was reviewing the links between Central Product Classification and the Extended Balance of Payments Services Classification (EBOPS) with a view to trying to strengthen them. There was also a programme of technical assistance on trade in services.

15 BPM5 Revision related to Trade in Services

6. IMF, OECD, and UNSD presented four documents related to classification of trade in services [STD/NAES/TASS/SERV(2005)2, STD/NAES/TASS/SERV(2005)9, Room Document 8, and Room Document 5]. They set out progress with the revision of the classification of trade in services in BPM5, the implications for travel in the balance of payments stemming from the work of the Technical Sub-group on Tourism Satellite Accounts, and links between EBOPS and CPC. In the discussion it was suggested that consideration be given to including on-line software delivery in the goods account. The distinction between packaged and custom software was blurring. There was a request for more detail on health services. A

¹ Agenda item numbers follow the combined agenda for the International Trade Statistics meetings 12-15 September 2005.

question was posed whether countries could compile trade in services statistics according to CPC as there was demand for extra detail. The proposed name change to royalties and license fees was also questioned.

7. More detailed guidance on compilation of travel expenditure in the revised BPM5 was requested for example, the need to consider the residency of the transactors and issues of pre-payment. IMF said that this point on travel would be considered in the drafting of the new BPM. The Eurostat Working Group Travel was also addressing these issues and would report back to IMF.

8. OECD summarised the report of the Financial Services Task Force STD/NAES/TASS/SERV(2005)³. The proposed transfer of the concept of FISIM to trade in services in the balance of payments was briefly discussed. Some support was expressed for this, but concerns remained on practical implementation issues for example on the need for guidance on how to provide a geographical breakdown.

9. It was reported that the Canberra II group was still working on the issue of leases and licenses which could have some implications for the goods and services account in the revised BPM5.

16 Data Quality

10. OECD introduced the draft report on responses to the Eurostat-OECD Methodological Soundness Questionnaire available as Room Document 6. It was a useful body of information for users and compilers. The results provided a snapshot of the situation in countries in 2003. Countries were invited to check the document and comment by written procedure, on any errors in the report, and on the publication plan. Information on subsequent changes to methodology, post 2003, was not being sought in this exercise.

11. OECD presented paper STD/NAES/TASS/SERV(2005)⁵ on progress in implementation of the Manual on Statistics of International Trade in Services (MSITS) and data quality. The paper was welcomed. Some comments on presentational improvements were made and two countries requested that OECD systematically report back bilateral asymmetry data in trade in services. Some bilateral studies, that had been conducted, were mentioned such as US/India and US/Canada.

12. Ms Rabaud, Université d'Orléans, France, introduced paper STD/NAES/TASS/SERV(2005)⁶ on the degree of openness to trade of service industries and comparative advantage in services. It proposed for analytical purposes that more attention be given to measuring trade in services by industry and to consideration of linking the trade in services with production data. Issues raised in discussion included that large economies are less open than small ones; the match between EBOPS and industry is not good, but slightly better for exports than imports; non-tariff barriers to services trade; and what were the policy implications of the analysis? The proposals for data improvements in the paper were noted.

13. Statistics Canada presented development plans for statistics on trade in services and services generally, known as the "Services Initiative". These are summarised in Room Document 12. It represented a multi-pronged approach to improve business registers, surveys, product classifications and the infrastructure of information on services including trade in services. The paper was welcomed as a useful example for other countries to consider when improving their own systems. The possibility of linking data sets through registers was evoked.

17 Analytical Issues

14. This session began with a number of items related to the measurement of offshoring. The US delegate informed the meeting that the US Government Accountability Office (GAO) had conducted a

study in 2005 on differences between US and Indian data on trade in services and offshoring. The report was expected to be published in October 2005².

15. OECD Directorate for Science Technology and Industry presented analytical work on the potential offshoring of service jobs including evidence from trade in services [Room Document 14]. This was another example of the need for more detailed statistics on trade in services.

16. Israel presented a conceptual paper on recording trade when production was outsourced, but still owned by Israeli firms and where the products did not return to the home economy - the case of “fables” enterprises. The discussion raised other examples of multinational firms and international manufacturing operations and focused on the proposals regarding the reclassification of “merchandising” from trade in services to trade in goods in the national accounts and the balance of payments. This issue was being taken forward by a subgroup of the IMF Balance of Payments Committee and proposals were expected before the end of 2005.

17. OECD Trade Directorate presented a current project on estimating South-South flows of trade in services for three types of services: transport, travel, and other commercial services. The project drew on the OECD Statistics of International Trade in Services: Detailed Tables by Partner Country, and other OECD sources. Gravity model assumptions were used to estimate missing values.

18 Updating the Manual on Statistics of International Trade in Services

18. OECD presented the proposed timetable for the updating of the MSITS including initial proposals for what would be included. There would be a worldwide consultation on issues for the update in 2006 and it was planned to submit the updated Manual to the UN Statistical Commission for final approval in 2009. The timetable was questioned as possibly too tight given that the SNA 1993 and BPM5 Statistics revisions would only be completed in 2008. IMF said that decisions on the revisions would be finalised in 2006 and a draft revised BPM would be produced by end 2006, which should leave sufficient time to draft the updated MSITS. Countries were invited to submit issues for the MSITS to the Secretariat.

19 TSA and Remittances

19. IMF summarised for information work to reconcile concepts in the SNA 1993, BPM5 and the Tourism Satellite Account, the aim of which was to identify potential areas for convergence in the parallel revisions being undertaken. The Eurostat Travel Group was also considering some of the identified issues and would report their conclusions to the IMF.

20. IMF also described the recent developments regarding the measurement of Remittances following the G8 request for better statistics. The UN had established a Technical Subgroup of the TFSITS on Movement of People had developed conceptual proposals for a definition of remittances in the balance of payments. These had been discussed at the IMF Balance of Payments Committee in June 2005. There was also a proposal to launch a City Group to look at measurement issues. The discussion raised the need for compilation guidance, for partner country information on remittances, and a question on whether it was easier for countries to measure inflows or outflows of these payments.

20 Data Dissemination

21. Eurostat presented progress and plans to make metadata available on New Cronos. All Eurostat data were now available free. OECD gave a brief update of their publication plans for trade in services.

² The report GAO-06-116 has since been published and is available at <http://www.gao.gov/new.items/d06116.pdf>

21 Future Work Programme and Conclusions

22. It was agreed that in the Future Programme of Work the Expert Group and Secretariat would:-
- continue to contribute to the process of revision of Statistical Frameworks related to measurement of international trade in services, FATS and movement of natural persons;
 - in particular contribute to updating the MSITS including with regard to:-
 - changes in classifications; questions on mode of supply; elaboration of a chapter on mode 4; revision of the annexes;
 - progress the implementation of the MSITS regarding level of detail and geographical breakdowns, taking into account analytical and policy needs;
 - promote improvements to data quality by:- making available the MSQ report; systematically reporting on asymmetries; and sharing country developments;
 - continue the to improve the process of dissemination of data and metadata.

Countries were requested to:

- to comment on the draft Methodological Soundness Questionnaire report by end October 2005;
- to contribute to the revision process of BPM5 and MSITS. For the MSITS updating if any country felt able to offer some active participation or expertise in any particular area to inform OECD Secretariat;
- continue work to implement the MSITS recommendations and:
 - report on significant new developments in countries regarding measurement of trade in services;
 - report on any bilateral studies e.g. US/India
 - report interesting examples and measurement studies such as the globalised production paper of Israel

22 Date of Next Meetings

23. The next meetings of the Expert Group are planned for 12-14 September 2006 and provisionally for 11-13 September 2007 at OECD in Paris.

N.B. The report of the joint session of this group with the Expert Group on International Trade Statistics is included in the report of the 6th OECD International Trade Statistics Meeting [STD/NAES/TASS/ITS(2006)1].