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**Inter-Agency Task Force On Statistics Of International Trade In Services:
Status Report**

**Prepared by the Statistics Department
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INTER-AGENCY TASK FORCE ON STATISTICS OF INTERNATIONAL TRADE IN SERVICES: STATUS REPORT

Introduction

The Task Force on Statistics of International Trade in Services¹ (Task Force) has developed the *Manual on Statistics of International Trade in Services (Manual)*. The UNSD is currently undertaking the task of publication of the *Manual*. The work of the Task Force will now focus on developing (i) compilation guidance, and (ii) an appropriate framework for the compilation of data related to the movement of natural persons to take up short term employment. In addition, the Task Force is promoting the implementation of the *Manual* through various means.

A summary of the *Manual* is provided as an attachment to this note.

Publication of the *Manual*

The *Manual* has been edited and the hard copy document is in the process of being produced. It is expected that the hard copy *Manual* will be publicly available before the end of 2002. The IMF will have sufficient copies to provide one complementary copy to each of its members. In the meantime, the final (unedited) draft can be found on the UNSD website at <http://unstats.un.org/unsd/tradeserv/manual.asp>.

Implementation of the *Manual*

The Task Force is promoting the implementation of the *Manual* through information posted on the websites of its member agencies; through the presentation of papers at, and participation in, appropriate conferences; through the preparation of compilation guidance; and through coordinated data collection by the member agencies. The Task Force will be considering ways in which technical assistance to countries might be facilitated.

¹ Comprising representatives of Eurostat (the Statistical Office of the European Commission), IMF, Organisation for Economic Co-operation and Development (OECD), United Nations Conference on Trade and Development, United Nations Statistics Division (UNSD), and the World Trade Organization.

Future Work

(a) Compilation guidance

The UN Statistical Commission requested that the Task Force focus on the provision of compilation guidance. Eurostat is now working to develop an outline of such a guide, to be discussed at the next Task Force meeting in February 2003. For resident-nonresident trade in services, material will be drawn from, amongst other sources, the *Balance of Payments Compilation Guide*. In addition, the World Tourism Organization has developed a model border survey that might be used to collect data suitable both for tourism statistics and for the *travel* component of the balance of payments. UNCTAD is developing guidance material on the compilation of foreign direct investment statistics and statistics on the operations of foreign affiliates, targeted initially for the member countries of the United Nations Economic and Social Commission for West Asia, then subsequently for other member states in the developing world.

(b) Movement of natural persons to take up nonpermanent employment

This area, included as part of international trade in services in the General Agreement on Trade in Services (GATS), is not well developed in the *Manual*. The Task Force is investigating alternative ways to further this work. UNCTAD is developing some pilot studies with countries that have a particular interest in this area.

(c) Further developments

E-commerce and trade in software are two areas where the Task Force has identified a need for further investigation of the most appropriate statistical treatment. Countries currently classify trade in software to *goods*, *computer services*, and/or *royalties and license fees*. In addition, there are transactions related to the use of produced originals, in particular to reproduce software for further sale.

Coordination Issues for the Committee

Any proposals to make changes to the classification or definition of the services components of the *BPM5* classification will need to be discussed with the Task Force, as such changes will affect the classification of services that is recommended in the *Manual*. In addition, a revision to the Central Product Classification is planned for 2007, and this will need to be coordinated with any changes to the *BPM5* classification of services, with the aim of ensuring that it is possible to provide clearer linkages between the two classifications.

MANUAL ON STATISTICS OF INTERNATIONAL TRADE IN SERVICES

The Interagency Task Force on Statistics of International Trade in Services (Task Force), which is authorized by the United Nations Statistical Commission, has developed a *Manual on Statistics of International Trade in Services (Manual)* that provides international guidelines for the compilation of statistics related to international trade in services.

This first *Manual* was prepared by the Task Force to meet the needs of a variety of producers and users of statistics on international trade in services — particularly statistical compilers, but also governments and international organizations that must use statistical information in connection with international negotiations pertaining to trade in services, and also businesses and others that wish to assess developments in international services markets. A particular impetus for the preparation of a separate manual on statistics of international trade in services is the recent tendency for trade agreements to cover services as well as goods, and the need for statistics both to guide the negotiations relating to these agreements and to support implementation of such agreements. The most well known and far reaching is the General Agreement on Trade in Services, or GATS, which became effective in 1995. A new round of negotiations, GATS 2000, is now underway and it is clear that the existence of a more fully articulated statistical framework for international services transactions will help to support these negotiations and the agreements that are reached as a result of these negotiations.

While the *Manual* features important new areas in the field of international services statistics, it does so by building upon, rather than by modifying, internationally agreed standards for statistical compilation. It provides a framework and a set of recommendations that will allow for the provision of a range of statistics on international trade in services. These recommendations are summarized in Chapter 1 and elaborated on in the remainder of the *Manual*. Chapter 2 proposes the framework and describes its links to existing international standards and frameworks. Chapter 3 focuses on the compilation of statistics relating to resident-nonresident trade in services, building on the balance of payments framework described in the fifth edition of the *Balance of Payments Manual (BPM5)*. Chapter 4 recommends standards for compiling statistics on "foreign affiliates trade in services", or FATS, drawing to a considerable extent on the concepts and definitions of the *System of National Accounts 1993 (1993 SNA)*.

The *Manual* describes four modes through which services may be traded internationally. It does so by considering the location of the supplier and consumer of the traded service. The first of these modes, mode 1 or *cross-border supply*, applies when suppliers of services in one country supply services to consumers in another country without either supplier or consumer moving into the territory of the other. Mode 2, *consumption abroad*, describes the process by which a consumer resident in one country moves to another country to obtain a service. Further, enterprises in an economy may supply services internationally through the activities of their foreign affiliates abroad. This mode of supply, mode 3, is called *commercial presence*. The last of these modes of supply, mode 4 or *presence of natural persons*, describes the process of supply of service when the producer moves to the country of the consumer in order to provide the service.

The *BPM5* framework contains, among other things, recommendations for the definition, valuation, classification, and recording of resident-nonresident trade in services. By building on this framework, the *Manual* recommends extending the *BPM5* classification of transactions by type of service to provide more detail through the Extended Balance of Payments Services (EBOPS) classification. A correspondence table showing the relationship between the EBOPS classification and version 1.0 of the Central Product Classification is included as an annex to the *Manual*. This table assists in the provision of clear definitions of the various components of the EBOPS classification. Except for the treatment of *construction services* (discussed in paras. 3.92-3.98 of the *Manual*), the recommendations contained in the *Manual* are consistent with *BPM5*. Thus, a country's balance of payments statistics will provide many of the data that are needed to implement the recommendations relating to the measurement of resident-nonresident trade in services. Recommendations are made in the *Manual* on the attribution of resident-nonresident transactions across the modes of supply. A separate annex discusses the relationship between the definitions and coverage of *travel* and *traveler* used in the *Manual* (and in *BPM5*) and the coverage of the *tourism satellite account*.¹

As well as providing services by way of trade between residents and nonresidents of an economy (measured in balance of payments statistics), enterprises in an economy may also supply services internationally through the activities of foreign affiliates abroad. The *Manual* recognizes this in its discussions on and recommendations for FATS statistics, which comprise the major part of the third mode of supply, commercial presence. Included are recommendations on (1) the selection of foreign affiliates to be covered (which follows the definition of foreign-controlled enterprises used in the *1993 SNA*)²; (2) the attribution of FATS statistics (including a discussion on attribution by activity and by product); and (3) the variables to be compiled. While this is a less well-developed area statistically than the balance of payments statistics, some FATS statistics for foreign-owned affiliates in the compiling economy may be found in, or derived from, existing statistics on domestic production, including national accounts statistics based on the recommendations of the *1993 SNA*.

The recommended basic FATS variables discussed in the *Manual* are: sales (turnover) and/or output, employment, value added, exports and imports of goods and services, and number of enterprises. Additional FATS variables identified are assets, compensation of employees, net worth, net operating surplus, gross fixed capital formation, taxes on income, and research and development expenditures. The definitions of these variables are drawn from the *1993 SNA*.

The final area in which the *Manual* moves beyond existing statistical frameworks is in the area where enterprises producing services in one country employ individuals who are residents of another country (in the *BPM5* and *1993 SNA* sense) on a non-permanent basis. This area is one in which countries make commitments under the GATS, and while some limited data are available from balance of payments statistics, there is a need for further development of statistics related to employment and income of foreign nationals. However, this area, which is part of the fourth mode of supply (presence of natural persons), is still

under discussion by the Task Force, so there is relatively little discussion on, or recommendation for, compiling relevant statistics included in the *Manual*.

The *Manual* proposes a phased approach to implementation so that countries, including those that are beginning to develop statistics on international trade in services, can implement these developments gradually and begin to structure available information in line with this new international standard framework. The sequence of elements, as suggested, takes into account the relative ease that many compilers may find in their implementation. However, the order is quite flexible, so that countries can meet the priority needs of their own institutions. Full implementation — to be seen as a long term goal — would represent a considerable increase in the detail of information available on trade in services.

The *Manual* takes account of comments received as a result of world-wide consultations with a range of statisticians and users of statistics, including balance of payments compilers, national accountants, compilers of data on employment and income, classifications experts, statisticians responsible for the compilation of data on production and/or use of services, and trade negotiators. An earlier draft of the *Manual* (November 2000) was translated into the official languages of the United Nations (Arabic, Chinese, French, Russian, and Spanish)³ and presented in March 2001 to the United Nations Statistical Commission for its approval. This approval was given and the *Manual* is now in the process of publication. A copy of the final draft of the *Manual*, subject only to editing, is now available at <http://esa.un.org/unsd/tradeserv/manual.asp>. It is expected that Arabic, Chinese, French, Russian, and Spanish versions of the final *Manual* will become available progressively, starting in 2003.

The Task Force is now focusing on providing compilation guidance. In addition, further development work is planned by the Task Force and by other agencies such as OECD, in particular in the areas of financial, insurance, internet-related, and environment-related services, as well as statistics relating to the movement of natural persons to take up employment on a non-permanent basis.

¹As described in *Tourism Satellite Account: Recommended Methodological Framework*, UN publication. Sales no. E.01.XVII.9

² This is implemented statistically as covering affiliates that are majority-owned by a direct investor.

³The translations of this earlier draft may be found on the UNSD website at <http://esa.un.org/unsd/tradeserv/>