

**Eighteenth Meeting of the
IMF Committee on Balance of Payments Statistics
Washington, D.C., June 27–July 1, 2005**

**Report of the Twentieth Meeting of the Interagency Task Force on Statistics of International
Trade-in-Services**

Prepared by the Organisation for Economic Co-operation and Development

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OECD Paris

2-3 February 2005

The Interagency Task Force on Statistics of International Trade in Services held its twentieth meeting at OECD New Building in Paris on 2-3 February. The list of participants is attached at Annex 1 and the agenda at Annex 2.

The Task Force agreed that, in future, minutes of its meetings should be made publicly available on the UNSD website, beginning with the record of the September 2004 meeting. For previous meetings the annual reports to the UNSC would substitute for the minutes of past meetings as a historic record of activities.

Revision of the Balance of Payments Manual

Progress on revision of BPM5

The Representative of the IMF said that there had been four meetings recently, dealing with aspects of the revision of the Balance of Payments Manual related to trade in services (BOPCOM, BOPTEG, SNA/AEG and CPC). At the October 2004 BOPCOM, there was general support for the adoption of “predominant” center of interest to define the residence of households. The BOPCOM agreed to retain the exception for students to the one year residence rule, while they did not see that it would be a problem if the exception for ships crews and patients were removed. As to nonpermanent workers, further work will be needed before the BPM6 is written. There was a qualified acceptance to treat processing of materials owned by other enterprises as a service, but it was felt that this recommendation should be taken to the AEG. Also the consistency of the treatment of *goods for processing* and *merchandising* with with the change of ownership principle was desirable. The BOPCOM agreed that goods for repairs should be treated as a service. With regard to classification of services, the additional details were agreed for *travel*; *communication services* were combined with *computer services*; an additional breakdown was introduced on *construction services*; *financial intermediation services indirectly measured* were included in standard components; the *post and courier services* has been moved to *transport*. It was agreed that *trade in services between related entities n.i.e.* was not to be included in the balance of payments standard components.

At the BOPTEG meeting in December 2005, an alternative treatment of *merchandising* as a good to be recorded on a gross basis was accepted by 2/3 of experts on the ground that such treatment would eliminate asymmetries in recording and the exception to the change of ownership principle. However, the issue was referred to the TFSITS for further discussion. There was also a proposal – discussed but not decided - to split non monetary gold into two subcategories:-

a.) real merchandise trade transactions (for industrial use and jewelry); and b.) dealing transactions aimed to obtain capital gains (create component for financial gold). The treatment of technical assistance was clarified.

The TF drew to the IMF’s attention the need for more detailed outcome papers to facilitate informed decision making.

Update on SNA revision (outcomes of December 2004 AEG) – note by OECD and UNSD

Regarding the outcomes of the SNA Advisory Expert Group (AEG) meeting of December 2004, only those were mentioned that have direct relevance for the work of the TF (i.e. goods for processing, originals and copies, center of economic interest, multi-territorial enterprises, split between goods and services). For other findings, the TF was referred to the summary and conclusions of the last meeting of the AEG (New York 8-16 December 2004) are posted on the UNSD website.

Regarding goods for processing, there was no agreement reached in the AEG meeting. The AEG had requested IMF and UNSD to prepare a paper presenting the advantages and disadvantages of both approaches. On originals and copies, the AEG had agreed in principle that, if the owner of an original grants an extensive license to reproduce and thus cedes long-term control, it is to be regarded as sale of an asset or part of an asset, if originators maintain responsibility; it is a sale of services.

The AEG has adopted “predominant centre of economic interest” as a term. It favoured the one-year criterion rather than discretionary criteria, with the existing exceptions of students and patients and with clarifications of the situation of ships’ crews. The position of ships’ crews would be clarified by IMF. It had been agreed that multi-territory enterprises should be partitioned across countries. The TF was invited to reflect on the fact that the SNA does not really make so much of the difference between goods and services and that trade analysts are more interested in that split

The Task Force noted that an issue paper was requested on the split between goods and services in the context of balance of payments trade statistics, the TF could contribute to this discussion;

Update on the CPC/ISIC revisions

The UNSD representative presented a progress report on the revision of ISIC and CPC. Both classifications were expected to be finalized by the next meeting of UN Statistical Commission in March 2006. Regarding CPC, proposals had been made on information products, professional services, transportation services and environmental services. The link between the EBOPS and the CPC should be strengthened, where possible.

The Task Force noted progress made in the revision of the CPC and the ISIC, with both planned to be finalized in 2005.

Tourism Satellite Account Revision.

The TF supported the discussions on the revision of the TSA and other tourism standards to be held at an interagency meeting on 4 February 2005.

Movement of Natural Persons – Mode 4

The TSG on Movement of Natural Persons- Mode 4 agreed on (a) the introduction of the concept of *personal transfers* to replace *workers remittances* in BPM5; (b) the definition of personal remittances and its introduction in the balance of payments as a memorandum item; (c) change in recording of migrants’ transfer in line with the recommendation of the Annotated Outline; (d) the inclusion of a satellite account/alternative presentation in BPM6 and the updated 1993 SNA for the movement of persons; and (e) the universe for the framework on the movement of persons. The results of the discussion at the meeting have been summarized in two outcome papers. There was not enough time at the meeting to reach an agreement on the definition of institutional remittances. An issue paper has been prepared by UNSD and circulated to the TSG members. The recommendations from the TSG will be submitted to the BOPCOM, and the SNA AEG meetings

Classification issues on trade in services (Paper by OECD)

OECD presented a note setting out the progress to date in the change in BPM classification for services.

Review of services-related BOPTEG and other papers

The Eurostat representative presented the summary results of an EU consultation on Goods for Processing that would be presented in more detail during the EU March BOP Working Party meeting. He noted that there were arguments for treating *goods for processing* on a net basis but for practical reasons, it was suggested to keep on treating that item as trade in goods.

The TF heard that there were strongly-held views on both sides, that there was no special trade policy interest to treat the item one way or the other. It was suggested that one way out would be to change the question from “should this be a service or a good” to “should it be recorded net (acknowledging that information would be lost) or as imports and exports”.

It was suggested that an issue paper was needed which would set out a series of pros and cons for classifying *goods for processing* either in goods, in services or even in a third “grey area” category.

The TF agreed that:

- i) A paper should be prepared describing pros and cons of the alternative treatments of *goods for processing* as goods or services. The paper would be prepared using the Eurostat document as an input and would be provided as a background note to the AEG. UNSD offered to prepare this paper;**
- ii) The majority opinion of the TF was in favour of the status quo (for SNA that is to continue to treat *goods for processing* as trade in goods.**

The issue of **merchandising** was then discussed. The majority of the TF members was in favour of treating that item as a service (since there was no related domestic production except services, and so it should be recorded net).

The TF conclusions were:

- i) The status quo on merchandising (to treat as services) was preferred.**
- ii) There was an issue regarding the terminology in the EBOPS classification grouping “merchandising and other trade related services”**

For the **post and courier services** item, it was agreed that it should be recorded in transport at the same level as sea, air and other transport. It was felt that the name of the transport category should not necessarily be changed.

The TF concluded that:

- i. post and courier services should be moved to transport,**
- ii. whether it goes as 3.1 or 3.4 remained as a question.**

The Task force discussed the appropriateness of the terminology of the new *Information Technology Services* item in the proposed BPM services classification. The question was would that be a correct name? There was noted a risk of confusion with the Personal, cultural and recreational services where broadcasting, publishing and music are registered. It was felt that the word communication should be included in the title. There was also a suggestion to take out the EBOPS item *news agency services* and to reclassify it as a *personal, cultural and recreational services*. Another suggestion was to move the content (*Other information provision services: database services*) out of *information technology services* and to reclassify them as *audiovisual and related services*.

The TF identified 3 options:

- i) To accept the proposed Information technology services grouping,**

- ii) **To move the content 11.1 (audiovisual and related services) to information technology services**
- iii) **Or to move the content part of IT services 5.3 (news agencies) to 11.1.**

Regarding *financial services*, a split between explicitly charged financial services and implicitly charged financial services (which is not necessarily FISIM) was recommended. But before that the final decision from the AEG regarding that item was awaited. It was acknowledged that some difficulties for calculating FISIM were expected by countries together with the fact that it would be very difficult to do a geographical breakdown.

It was recommended to await the outcome of the Canberra II Group on non-financial assets before making any decision regarding not only software but also originals and copies.

The delegate from the Bank of Japan presented a note on the **treatment of gold in balance of payments statistics**. The treatment of this issue was being discussed in BOPTEG. No action from the TF was needed.

The TF completed the review of the revision of the BPM5 by concluding on the issue of treatment of insurance claim. It was agreed to propose that insurance should be split into two items *direct insurance* and *reinsurance*.

MSITS Implementation

Compilation Guidance

Bridge Tables TSA/BPM/SNA – Report from WTO/OMT - Notes from OECD and IMF

The representative of WTO/OMT explained that the Task Force had welcomed a proposal to identify conceptual differences regarding tourism related issues in BPM5, the Tourism Satellite account and related frameworks in a bridge table exercise, relating TSA, SNA, BPM5 and Migration statistics concepts, that was to be presented in the session. OECD presented the bridge table which had elaborated in close cooperation with WTO/OMT.

Four categories of people had been identified (non-working non-resident, working non-resident, working resident, non-working resident). There was a question regarding the policy or statistical need for the original BPM5 split between business and personal travel, which was apparently done to provide data for the split between intermediate and final consumption in SNA.

The TF noted that

- i) **The Technical Sub-group Inter-agency Coordination Group on Tourism Statistics would meet the following day at the French tourism ministry;**
- ii) **It was important to keep the bridge tables linked with other particular areas of interest, for instance mode 4, even if it was for the TSG mode 4 group to say what it needs.**
- iii) **WTO/OMT would prepare a new draft taking into account comments in the IMF and OECD contributions as well as others presented during the meeting.**

FATS Statistics

The representative of UNCTAD presented a note on the availability of FATS inward and outward data in the UNCTAD database available at <http://www.unctad.org/fdi>. He explained that UNCTAD was preparing a training manual related to FDI, in four volumes. He invited the TF to comment on volume II, which deals with the activity of trans-national companies.

The TF noted that:

- Eurostat is preparing compilation guidance on FATS that would be of wider interest,
- The OECD questionnaire asks for FATS metadata and responses to this should be explored.
- The OECD Handbook on Economic Globalisation Indicators is soon to be published.
- It was proposed to have a session on FATS at the OECD-Eurostat Expert Meeting on Trade-in-services Statistics in September 2005
- Comments on Volume II of the UNCTAD training manual were requested.

Technical assistance – coordination update

Bank of Japan was planning an event on technical cooperation with China in May 2005.

UNSD is planning a trade-in-services workshop in Latin America in Autumn 2005. UNSD invited IMF and WTO to participate in the workshop.

A CARICOM trade-in-services statistics meeting funded by USAID would be held in February 2005.

Monitoring progress on international data collection, dissemination and quality – reports from UNSD and Banque de France.

Banque de France presented the work of a French reflection group at the CNIS (Conseil National de l'Information Statistique), bringing together experts from the Banque de France, INSEE, French ministries, academics, and OECD. The aim was to improve the detail in Trade in services and in Partner country information. A final report in French was expected in June.

UNSD updated the TF on the development a worldwide database on trade in services statistics, detailed by partner country, service category and mode of supply. UNSD plans to make this database available for testing to the members of the Task Force by April 2005. A report will be prepared for the next Task Force meeting which will include (1) an analysis of the data by source, (2) a proposal for combining data sources, and (3) a review of the comments of the members of the Task Force.

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

Review of EBOPS (Paper by OECD)

In the context of the future revision of the MSITS, the Task force had agreed that at its September meeting, a first step would be to review the Extended Balance of Payments Services classification in line with the revision of the services classification in BPM5. OECD presented some very preliminary suggestions for addition and removal highlighting that the first questions the Task force would have to reply to were 1) Should the EBOPS stay at the same level of detail as it is currently and 2) Should it be extended to cover the grey area (items that are difficult to identify clearly as goods or services as for instance *goods for processing, repairs on goods, and merchanting*).

The TF agreed that since the EBOPS classification was only recently published in 2002, there was currently no desire for a significant change. Any changes should be driven by the revision of BPM5, and to a lesser extent CPC. The TF noted the difficulties to get very detailed information. There was currently a correspondence between the EBOPS and the CPC at about the three digit level, but not for all categories of EBOPS. **A revised version of the OECD EBOPS paper would be presented at the September TF meeting.**

OECD Services coordination project

OECD informed the TF that a report on services statistics coordination and strategy would be sent to the UNSC in early February 2005. TF comments already received would be incorporated.

Other business

Inputs for the OECD-Eurostat Expert meeting on Trade-in-services Statistics September 2005 were invited.

The official name of the Task Force was discussed, and it was agreed that it should be called Interagency Task Force on Statistics of International Trade in Services.

UNSD announced that it will invite agencies to contribute to first newsletter of the TF and update the archive on the TF website maintained by UNSD by requested TF members to provide background papers and documents.

Dates and locations of future TF meetings 2005-2006

The Task force agreed a one day meeting on the 16th September 2005 in Paris.

Another meeting was provisionally scheduled in New York in January 2006.

List of Actions

- A1. The Task Force noted that an issue paper was requested on the split between goods and services in the context of balance of payments trade statistics, there is currently a focus on the TF to contribute to this discussion; Communicate TF views, CPC links, BPM6, EBOPS (OECD to coordinate)
- A2. Goods for processing: Arguments (Pros and cons) on the alternative treatments of goods for processing should be set out and provided for the IMF issue paper. The Eurostat paper would serve as background. (OECD to provide to IMF, UN and TF by end March 2005)
- A3. Recast the BOP services classifications note (OECD/IMF by mid April for input to BOPCOM);
- A4. Revise initial EBOPS revision discussion paper (OECD July 2005)
- A5. Bridge tables: **WTO/OMT would prepare a new draft taking into account comments in the IMF and OECD contributions as well as others presented during the meeting.**
- A6. FATS: Eurostat is preparing compilation guidance on FATS that would be of wider interest, (Eurostat to circulate when ready);
- A7. The OECD questionnaire asks for FATS metadata and responses to this should be explored. (OECD);
- A8. It was proposed to have a session on FATS at the OECD-Eurostat Expert Meeting on Trade-in-services Statistics in September 2005;
- A9. Comments on Volume II of the UNCTAD training manual were requested (All).
- A10. Technical cooperation – communicate news of planned technical cooperation on trade in services to UN and IMF (All)
- A11. Inputs for the OECD-Eurostat Expert meeting on Trade-in-services Statistics September 2005 were invited. (All)
- A12. TF Minutes and papers to be put on the web (UNSD in consultation with TF).
- A13. UNSD to prepare first TF Newsletter, send out a request for papers and other documentation to update the TF archive and maintain TF website.

**List of Participants in
Task Force Meeting of 2-3 February 2005 OCDE, Paris**

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Meeting of the Interagency Task Force on Statistics of International Trade in Services

2-3 February 2005

OCDE, Paris

AGENDA

1. Adoption of the agenda
2. Approval of the report of the last meeting of the Task Force held the 13-14 September 2005.
 - a. Matters arising
3. Revision of Balance of Payments Manual
 - a. Progress on revision of BPM5 – IMF oral report
 - b. Update on SNA revision (outcomes of AEG) – Note by OECD/UNSD – Note from IMF
 - c. Classification issues on trade in services (Paper by OECD)
 - d. Review of services-related BOPTTEG and Other Papers (merchandise, goods for processing, non-monetary gold, technical assistance etc)
 - e. Update on CPC/ISIC revisions
 - f. TSA Revision
 - g. Issues arising from TSG MNP Mode 4 meeting for TF
4. Manual implementation:
 - a. Compilation guidance :
 - i) Bridge tables TSA/BPM/SNA – Report from WTO/OMT and Note from OECD
 - ii) FATS (Eurostat guidance and OECD metadata) oral reports by Eurostat-OECD
 - b. Technical assistance – coordination update – report from Bank of Japan
 - c. Monitoring progress on international data collection, dissemination, and quality
Organisations will be invited to report on developments - Reports from UNSD and Banque de France.
5. Update of the Manual on Statistics of International Trade in Services
 - a. Review of EBOPS (Paper by OECD)
 - b. Preparing the first stages of the updating process
6. UNSC Services Coordination project – report for information by OECD
7. Inputs for the OECD-Eurostat Expert meeting on Trade in Services September 2005
8. Any other business
9. Dates and Locations of future meetings 2005-2006 - invitations from WTO/OMC and UNSD