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**Inter-Agency Task Force on Statistics of International
Trade in Services: A Status Report**

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

Introduction

The Task Force on Statistics of International Trade in Services¹ (Task Force) has been developing the *Manual on Statistics of International Trade in Services (Manual)*. This paper describes the work that has taken place over the past year in the development of the *Manual*, indicates the timetable for publication, and briefly describes Task Force proposals for continuing development work in trade in services.

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

Progress in the past year and plans for publication

After the meeting of a United Nations Expert Group in July 2000, the *Manual* was redrafted in line with the requests of this group, and also to take into account various concerns of the Task Force. In addition, the Task Force continued its world-wide consultations on the *Manual* through two United Nations workshops in Addis Ababa in November-December 2000 and also at the meeting of OECD-Eurostat Experts in Trade in Services Statistics that was held in December 2000. Further changes and clarifications were made to the *Manual* as a result of comments received at these meetings.

The new draft of the *Manual* was translated² into Arabic, Chinese, French, Russian, and Spanish and presented to the United Nations Statistical Commission (the Commission) at its meeting in March 2001. The Commission approved the *Manual* as an international manual, noted that implementation of the *Manual* will be a long-term process, recommended that the Task Force continue its work, focusing on the proposed users' manual on data collection as the next step, and agreed to the Task Force proposals on international data collection.

¹ Comprising representatives of Eurostat (the Statistical Office of the European Commission), IMF, Organization for Economic Cooperation and Development (OECD), United Nations Conference on Trade and Development (UNCTAD), United Nations Statistical Division (UNSD), and the World Trade Organization (WTO).

² Chapters 1-4 and Annex 1 only.

An annex to the *Manual* showing the relationship between its framework and that of the tourism satellite account³ has benefited from further discussions with the World Tourism Organization in mid 2001.

In September 2001 the text of the *Manual* was provided to the UNSD for final editing and publication. It is expected that the English language publication will be published in hard copy late in 2001. Consideration is being given to making the *Manual* available electronically. Final versions in other languages will be made available progressively through 2002 and 2003.

Future Plans

As requested by the Commission, the Task Force will turn its attention to the provision of guidance to countries in the implementation of the recommendations of the *Manual*. Initially, work will focus on the development of methods for sharing country experiences, such as through the use of the internet. UNSD is currently developing a website that will include a facility for the dissemination of country experiences in data collection and compilation and may also be used to provide methodological information and monitor implementation.

A medium-term aim is the development of a compilation guide to cover all areas of data collection that are not covered by the existing *Balance of Payments Compilation Guide* (including collection of data on trade in services transactions between residents and nonresidents by partner country, data for the compilation of statistics on foreign affiliates trade in services (FATS), and data for the monitoring of international trade in services through the four modes of supply).

Regarding data collection, the Task Force proposes that:

1. IMF will collect balance of payments trade in services data at the level of detail of the Extended Balance of Payments Services (EBOPS) classification⁴ (see attachment for a brief explanation of EBOPS), but no breakdown by partner country or mode of supply;
2. OECD and Eurostat will cooperate in collecting balance of payments trade in services data at the EBOPS level of detail, data on foreign direct investment, and FATS data;

³ Described in *Tourism Satellite Account: Recommended Methodological Framework*, produced by Eurostat, OECD, the World Tourism Organization, and UNSD.

⁴ IMF will not require countries to compile data at a more detailed level than that recommended in *BPM5*.

3. UNSD will collect balance of payments trade in services data by partner country, using OECD and Eurostat data where possible and completing the data collection for all other countries; and
4. UNCTAD will collect foreign direct investment and FATS data in cooperation with OECD and Eurostat.

Wherever possible, these agencies will cooperate in using common reporting systems for data collection.

In addition, there are a number of areas in which the Task Force expects to carry out further development work, in association with other agencies and working groups as appropriate, including developing clearer guidelines for the statistical measurement of international trade in certain e-commerce related products, including trade in those products delivered over computer-mediated networks, international trade in financial, telecommunications, and environment-related services, as well as providing further guidance in relation to statistics on the movement of natural persons to take up nonpermanent employment.

The Task Force will also develop a set of procedures for providing and disseminating clarifications and interpretations of the *Manual*, along with revisions as appropriate. In doing this, the Task Force will take into account the revisions to the International Standard Industry Classification and the Central Product Classification that are expected in 2007, along with updates to the *1993 SNA* and *BPM5*.

MANUAL ON STATISTICS OF INTERNATIONAL TRADE IN SERVICES – AN OVERVIEW

This first *Manual on Statistics of International Trade in Services (Manual)* is being prepared by the Interagency Task Force on Statistics of International Trade in Services (Task Force), which is authorized by the Statistical Commission of the United Nations, 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 has been 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 monitor the outcomes.

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. Correspondence tables showing the relationship between the EBOPS classification and version 1.0 of the Central Product Classification are

included as an annex to the *Manual*. These tables assist in the provision of clear definitions of the various components of the EBOPS classification. Additionally, this annex shows the links between the EBOPS classification and the GNS/W/120 classification that is used by trade negotiators when making agreements under the General Agreement on Trade in Services (GATS). Except for the treatment of *construction services* (discussed in subsection 3.8.4 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.

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*)⁵; (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 current draft of the *Manual*.

⁵ This is implemented statistically as covering affiliates that are majority-owned by a direct investor.

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 draft *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* was discussed at a meeting of UN Experts in July 2000. The draft *Manual* was translated into the official languages of the United Nations (French, Spanish, Russian, Arabic, and Chinese as well as English) and presented in March 2001 to the United Nations Statistical Commission for its approval. This approval was given and the Task Force is now finalizing the text for publication in English late in 2001. It is expected that French, Spanish, Russian, Arabic, and Chinese versions of the *Manual* will become available progressively, starting in 2002.

Once the *Manual* is finalized, the Task Force will focus on providing compilation guidance, particularly in the area of foreign affiliates trade in services. In addition, further development work is planned by the Task Force, in particular in the areas of financial services, telecommunications services, internet-related services, and environment-related services, and statistics relating to the movement of natural persons to take up employment on a non-permanent basis.

[September 2001]