

**Twenty-First Meeting of the
IMF Committee on Balance of Payments Statistics
Washington D.C., November 4 – 7, 2008**

International Trade in Services Statistics

**Prepared by the Statistics Directorate
Organization for Economic Cooperation and Development**

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

OECD, Chateau de la Muette, Paris 25 September 2008

Welcome and opening

1. Mr Joaquim Oliveira Martins OECD Head of Structural Economic Statistics Division opened the meeting and welcomed participants. He said that OECD had chaired the TFSITS (TF) for many years and he raised the question of future arrangements for chairing the TF for reflection. He emphasised the priority that OECD attached to a successful completion of the revised Manual on Statistics of International Trade in Services (MSITS) and he stated that OECD would continue to work closely with partner organisations to achieve this goal. The main aim of this meeting was to agree the roadmap to complete the Manual and to agree who does what and by when. He encouraged more joint work on trade in goods and services with the merchandise trade TF. He wished the TFSITS a successful and fruitful meeting.
2. The agenda was adopted. A list of participants is attached at Annex 1 and the agenda at Annex 2.

Summary outcome of the OECD WPTGS

3. OECD reported on the outcome of the OECD Working Party on Trade in Goods and Trade in Services Statistics (WPTGS) on 22-24 September in respect of points of interest for the TF. Highlighted was the need for an extension of existing cooperation on data collection in trade in services and a suggestion from countries to explore the possibility of a common framework for data collection in trade in services that all international organisations concerned could use. OECD would follow this up bilaterally with UNSD and report back to the next TF meeting.
4. Other themes reported on were the work on trade and globalisation, links between international trade and business statistics; a proposal for an alternative presentation of trade in goods and services by product and activity also related to input-output tables; and the presentation of the draft Chapters and annexes of the revised MSITS, which had led to some discussion and comments. **It was also noted that OECD proposals presented at WPTGS on the treatment of trade statistics in Intellectual property products would be added to the TF's Worldwide consultation (WWC) web pages and that OECD countries had agreed to consider these proposals in their comments on the draft materials.**

Revision of the Manual on Statistics of International Trade in Services

5. The TF discussed outline plans to complete the revision of the Manual as set out in the Worldwide consultation document. It was noted that the draft Chapter III, on services transactions in the balance of payments, was still incomplete insofar as it had still to be aligned with the final BPM6, which should be available around the end of 2008, and depending on which additional EBOPS items were approved, appropriate descriptive text on these would also be included.
6. The WWC had been underway since 29 August 2008. **OECD and UNSD undertook to catalogue the responses by mid December 2008 and provide a recommended TF response to the consultation by end January 2009.**

7. The TF discussed the remaining annexes and texts required to complete the Manual, and agreed the following actions, division of tasks and responsibilities as set out in table 1 below.

Table 1

Text	Lead organisation	Action	Deadline	Comments
OECD Intellectual property proposals	UNSD	Post on TF WWC web page	17 October	
WWC responses	OECD, UNSD	Catalogue of responses	Mid December 2008	
	OECD, UNSD	Summary and recommendations for TF	End January 2009	
Chapter I	UNSD	Redraft	End February 2009	Extra text needed on differences from first edition
Chapter II	WTO	Redraft	End February 2009	
Chapter III	IMF	Redraft	End February 2009	
Chapter IV	OECD	Redraft	End February 2009	Consider OECD FDI comment on removing recommendation regarding immediate counterparties
Chapter V	WTO	Redraft (or annotated redraft)	End February 2009	
Annex I (EBOPS)	IMF/OECD	Redraft	End February 2009	Environmental services (refine proposal) WTO, OECD TAD, UNCTAD
Annex II (EBOPS-CPC)	UNSD/IMF	Draft	End January 2009	WTO to propose how to include GNS list
Annex III (ICFA-EBOPS)	Eurostat/UNSD	Draft	End February 2009	
Annex IV (GATS extract)		No change		
Annex V (GNS list)		No change		
Annex VI TSA and IRIS	UNWTO	Redraft	End February 2009	
Analytical Annex	OECD in consultation with WTO and WHO	Redraft	End February 2009	OECD TAD to review; include health annex in main text; review against Chapter V. Question remains of whether a paper or Electronic only annex is preferred
Cross-cutting issues affecting goods and services	IMF/OECD/WTO	Draft textboxes in Chapters III-V	End February 2009	No annex
Annex on differences from first edition	UNSD	Draft	June 2009	Include correspondence EBOPS2002vEBOPS2010
Glossary	UNCTAD	Draft	End February	

			2009	
Bibliography	UNSD	Draft	June 2009	
ACRONYMS list	UNCTAD	Draft	June 2009	
Index	All	Draft	June 2009	
Subsequent programme stages				
TFSITS meeting March 2009 Bangkok				
Redraft Chapters and Annexes	All		June 2009	UNSD to provide some editing input. Question of language translations of the final public draft for review.
Post final drafts for public review with notice to countries on the possibility of input.	UNSD		June – August 2009?	
TFSITS Review comments September 2009				
Prepare submission for UNSC 2010	Chair and UNSD		November 2009	
Prepare MSITS publication			Spring-Summer 2010	

8. Regarding Annex II, UNSD had begun working with IMF on an EBOPS 2010-CPC Ver. 2 correspondence and a first draft was expected by January 2009. WTO would make a proposal on how to present the GNS/W/120 list in the correspondence to make it easier to use.
9. For Annex III Eurostat, in consultation with UNSD, will provide a draft correspondence between EBOPS 2010 and ISIC rev.4.
10. Regarding the analytical annex there had been a number of expressions of support for the proposed Annex at the WPTGS. One suggestion was that it might be just an Internet annex which could then be updated from time to time. The TF discussed a suggestion to include recommendations on analysis in the Manual but, while subject to the WWC responses, decided against while noting that there was further potential and interest to work on trade in services indicators. The material on health services would be included in the main Analytical annex, and the whole Analytical annex would be reviewed for consistency with Chapters 3, 5 and BPM6.
11. Regarding the proposals on environmental services, subject to WWC responses, there was a perceived need to make best use of the EBOPS item “Waste treatment and depollution” and align this as far as possible with the proposal on “environmental services”, taking into account the related services categories of CPC Version 2.(WTO, OECD TAD, UNCTAD, UNSD and IMF to take forward)

12. The TF discussed how to deal with cross-cutting issues on goods and services in the Manual. Subject to the WWC responses it provisionally took the view that these might best be dealt with in the main chapters 3, 4, and 5 using text boxes.
13. Other texts required for the completion of the Manual were identified and included an index, a glossary, a bibliography and a list of acronyms. UNSD offered to do some editing for the June 2009 version and proposed that the TF consider providing some translations of the final draft of the Manual for public review. **This would be discussed at the next TF meeting.**
14. UNWTO underlined the importance of producing compilation guidance as soon as possible after the Manual is completed. The need to complement and not duplicate the planned IMF compilation guidance on BPM6 was mentioned. It is important that when the Manual is submitted to the UNSC that proposals for future work of the TF including plans on compilation guidance are elaborated. **The TFSITS agreed with the principle and to discuss this further at the next meeting in March 2009.**

Promoting trade in services statistics including in Emerging and Developing Countries - World Bank/OECD

15. UNSD presented plans for the next TFSITS newsletter. It was envisaged to publish the newsletter in November 2008, UNSD will circulate an initial draft for completion by the TF.
16. The World Bank presented a note setting out its perception of the problem of how to advance the implementation of the Manual in Emerging and Developing economies. It advocated a stock-taking of countries progress and plans, and in the context of limited resources in statistical offices, a sort of cost-benefit analysis to prioritise what types of service statistics would be most useful for policy analysis in different countries. **Banca d'Italia offered to provide a document on cost-benefit analysis of data collection.** TF members mentioned a number of upcoming training seminars on trade-in-services statistics (listed below). **The TF also agreed to give a detailed written response to the World Bank note with ideas for joint action. It was also agreed that World Bank, OECD and WTO would meet to discuss this further in Mexico in October.**
17. Upcoming trade-in-services statistics seminars include:
 - APEC countries 1-3 October 2008 in Manila
 - China MOFCOM 15-17 October 2008 Beijing
 - UNSD Workshop for the CIS countries 7-9 October 2008
 - Mexico and other countries from the region (Promexico) 29-31 October Mexico City
 - WHO Trade in Health Services 24-26 November Vietnam
 - ITC had technical cooperation planned in Pakistan and Philippines
 - World Bank planned a seminar in South Africa in the coming months.

Preparation of reports to IMF Balance of Payments Committee and UN Statistical Commission

18. A report of the TFSITS meeting and progress with the revision of the Manual would be prepared for the IMF Balance of Payments Committee and UNSC (as background document) in October.

Problems of data quality and historical consistency

19. The WTO briefly presented a paper illustrating problems of data quality and historical consistency in trade in services. The TF agreed to put this on the agenda of the next meeting.

Next meeting

20. The next meeting would be in ESCAP, Bangkok, 10-12 March 2009 with a joint day with the International Merchandise Trade Statistics Task Force.

Annex 1 List of TFSITS participants

Participant	Organization	E-mail address
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**Meeting of the Task Force on Statistics
of International Trade in Services (TFSITS)
25 September 2008
OECD, Chateau de la Muette Conference Centre, Paris**

Agenda

September 25 September 2008 9.30

- 1. Welcome and Opening**
- 2. Adoption of the agenda TFSITS (2008) 2.1**
- 3. Summary outcome of OECD WPTGS meeting 22-24 September discussion on Manual**
- 4. Revision of the Manual on Statistics of International Trade in Services (MSITS)**
 - a. Review and update of plans, timetable and division of labour for revision of MSITS
- managing responses to the worldwide consultation TFSITS (2008) 2.2
 - b. Remaining issues and inputs to the Manual
 - i) Intellectual property and software TFSITS (2008) 2.3
 - ii) Environmental services
 - iii) Health and education
 - iv) Concordances TFSITS (2008) 2.4
 - v) Other cross-cutting goods/services issue material TFSITS (2008) 2.5
- 5. Promoting trade in services statistics including in Emerging and Developing Countries - World Bank/OECD**
 - a. Balance of payments
 - b. FATS

World Bank will set out the broad goals. The Task Force will be invited to brainstorm possibilities to move this forward. TFSITS (2008) 2.6
- 6. Promoting the MSITS**
 - a. TFSITS Website and Newsletter – UNSD
 - b. Upcoming seminars and expert groups
- 7. Preparation of reports to IMF Balance of Payments Committee and UN Statistical Commission**
- 8. Any other business**
 - a. Problems of data quality and historical consistency – WTO TFSITS (2008) 2.7
- 9. Date and location of next TF meeting (ESCAP Bangkok 10-12 March 2009 including one joint day with TF on merchandise trade)**

ATTACHMENT I

Proposals for the classification of intellectual property products in MSITS and EBOPS

Charles Aspden (OECD)

Introduction

In late 2007 the OECD Task Force on R&D and Other Intellectual Property Products (TFIPP) was formed with the principal aim of developing a handbook to provide guidance on the compilation of gross fixed capital formation (GFCF) and other capital measures¹ of intellectual property products (IPPs). The major reason for taking this initiative was the recognition of R&D as a fixed asset in the updated 1993 SNA, now officially referred to as the 2008 SNA. But the handbook will also provide guidance on the three other types of intellectual property products: software and databases; entertainment, literary and artistic originals (hereafter referred to as “originals”); and mineral exploration and evaluation. In the case of software the guidance will be based on the report of the 2002 OECD Software Task Force, and in the case of originals the guidance will be based on the report of 2003 EU Task Force on Entertainment, Literary and Artistic Originals.

International transactions play an important part in the capital formation of software, R&D and originals and hence it is important to accurately quantify the various product flows. IPPs can be transported by various means: they can be stored on a physical medium and transported or they can be sent electronically, but this is of no relevance when measuring GFCF². Also, whether IPPs are goods or services is not an issue when measuring GFCF. But the distinction between goods and services is a very important categorization parameter in the Balance of Payments (BOP) and the mode of transport of IPPs influences their categorization as goods or services to some degree. By contrast, the categorization parameters that are important for the national accounts are first, the identification of particular types of IPPs and second, whether they are to be used as fixed assets, household final consumption (HFC) or intermediate consumption (IC). While there is some categorization by type of IPP in the BOP it is insufficient for national accounts purposes and there is no categorization by usage. This misalignment between the BOP and national accounts was identified in the reports of both the OECD software task force and the EU originals task force as a hindrance to the measurement of GFCF. Not surprisingly, the OECD TFIPP turned its attention to the categorization of IPPs in the BOP shortly after its formation.

The determination of whether transactions in IPPs should be recorded as GFCF, IC or HFC depends on a number of factors:

- a) what sort of unit acquires the product,
- b) the nature of the product or how the product is to be used, and
- c) in the case of licences to either use or reproduce, the terms of the contract.

It is not that easy to obtain information about these factors and it is probably impracticable for BOP statisticians to attempt do so for all IPPs, although it may be practicable for some. This has a number of implications for measurement, but the most important one is that aggregates - free of

¹ Capital stock, consumption of fixed capital (CFC) and the provision of capital services.

² Other than that all the costs of acquisition should be included when estimating GFCF.

omission or duplication - should be available for each type of product (or groups of products) of interest, so that the differentiation between capital and consumption can be checked if there is one from the data source and can be imputed if there is not one. For example, it is highly desirable that short and long-term licences to use computer software should be separately identified, but it is critical that they should be in one aggregate and not fragmented. Given that nearly all categories of transactions in IPPs are recorded as trade in services in the BOP but some are recorded as trade in goods, then it follows that the preferable source for aggregate estimates of IPPs would be trade in services surveys. For the purposes of the BOP, the components that should be recorded as trade in goods can then be excluded, while the aggregates needed by national accountants and other users not concerned with the goods and services division should be available as supplementary or memorandum items.

The remainder of this paper tries to explain the needs of the national accounts with respect to the categorization of international transactions in IPPs and then proceeds to evaluate how well the proposed changes to EBOPS would satisfy them.

Needs of the national accounts

Software

It is clear that the most important deficiency with the BOP categorization of transactions for the purpose of measuring GFCF of IPPs is with respect to software. Over the last six months there has been considerable debate about whether it is desirable that the classification of long-term licences to use non-customized software (and audiovisual products) provided on disks, etc. should be classified as goods in BPM6. To cut a long story short, the ISWGNA wrote to the chair of BOPCOM expressing concern about the proposed classification of these licences as goods and made an alternative proposal to classify them as services. A consultation of major stakeholders was conducted, including the Task Force on International Trade in Services and the Task Force on International Merchandise Trade, but the outcome was indecisive. Subsequently I proposed a compromise solution with two variants, as follows:

1(a) The draft BPM6 remains unchanged.

1(b) The draft BPM6 is changed so that ALL non-customized software with an end-user licence supplied on physical media should be treated as a good, i.e. both long-term and short-term licences, but with a change to create a specific item in the BPM6 goods account "non-customized or standard software supplied on physical media".

2. EBOPS and MSITS specify that non-customized software with end-user licences should be recorded as memorandum items. It is critical that all data relating to end-user software, but especially licences to use, should be collected in the same enterprise surveys. There should be a split between those licences to use that qualify as consumption (a year or less) and those that could qualify as fixed capital formation (more than a year). This could be derived either via surveys or possibly using information from software publishers, but this would require international co-operation.

The MSITS would then provide all the data required for national accountants and others to measure international flows of software and the problem with double counting would be eliminated for estimating GFCF and minimized for measuring exports and imports.

The BPM could have memorandum items showing total exports and imports of software.

It is evident that option 1(a) has been chosen, i.e. the classification in the draft BPM6 is to remain, and some additional items have been included in the draft EBOPS.

From a national accounts perspective, the requirement is for the separate identification of the following software products referred to in table 10.4 of the draft BPM6:

1. Customized software and non-customized originals (GFCF)
2. Non-customized software – outright sales of copies and long-term licences to use (GFCF and HFC)

3. Non-customized software – short-term licences to use (IC and HFC)
4. Non-customized software - licences to reproduce (IC and GFCF)

In addition, there are some other types of computer services not included in table 10.4 that are of interest:

5. Computer services of a capital nature (GFCF and HFC): hardware and software consultancy, implementation and installation services; analysis, design and programming of systems ready to use. These are included in the category *Computer services* in both BPM5 and BPM6.
6. Computer services of a consumption nature (IC and HFC): repairs and maintenance of computers and peripherals; data recovery services, provision of advice on matters related to management of computer resources; systems maintenance and other support services, such as training; data processing; web page hosting services; provision of applications, hosting clients' applications, and computer facilities management. These, too, are included in the category *Computer services* in both BPM5 and BPM6.

With the exception of *Licences to use non-customized software provided on disk for perpetual use* all six of the above components are included in either *Computer services* or *Charges for the use of intellectual property* in the draft BPM6, and could, at least in principle, be identified via a revision to EBOPS and the MSITS. Although *Licences to use non-customized software provided on disk for perpetual use* is classified to goods, it is proposed that the MSITS should recommend that it be collected using SITS and be combined with other licences to use software in a memorandum item.

Categories (1) and (5) could be combined as these two items have similar characteristics.

If it is not possible to separate categories (2) and (3), then their aggregate should be provided.

Licences to reproduce are in *Charges for the use of intellectual property* - a different BOP category than the other five software categories identified here.

In earlier correspondence, BOPCOM has been informed that the delineation of licences to use between those that convey a perpetual use and those with a periodic licence fee does not very well match the recommendations of the 2008 SNA concerning those licences to use that should be recorded as gross fixed capital formation and those that should be recorded as intermediate consumption. It would be better to distinguish between licences to use for a year or less and licences to use for more than a year.

Audiovisual products

The situation regarding audiovisual products in BPM5 and BPM6 is much the same as for computer software. In BPM6 there is the category *Audiovisual and related services* rather than the category *Computer services*. Other than that, the classification in BPM6 is identical. With one exception the same is true of BPM5: distributive rights for audiovisual products for a limited period or a limited area are included in *Audiovisual and related services*.

The national accounts requirements for audiovisual products are essentially the same as they are for computer software. A major problem with the existing BOP categories is that they comprise many types of flows including fees to actors and fees for motion picture production. The major requirement is to separately identify transactions in existing originals (or parts thereof) and newly created customized products, and payments for licences (or royalties). Like software, licences to reproduce and/or distribute originals and licences to use can be fixed assets in certain circumstances.

Other personal, cultural and recreational service products

All these products are for either final or intermediate consumption.

R&D

In BPM5 and MSITS, R&D transactions fall into three categories: *Other royalties and licence fees, Research and development services* and *Acquisition or disposal of nonproduced, nonfinancial assets*. The first two of these categories are in the current account and the third is in the capital account. In BPM6 R&D transactions fall into two categories: *Charges for the use of intellectual property* and *R&D services*. As far as R&D is concerned, the major change in categorization is that payments for the acquisition of patents have been removed from *Acquisition or disposal of nonproduced, nonfinancial assets* in the capital account to *R&D services* in the current account.

As can be seen from paragraph 10.134 of the draft BPM6, the definition of *R&D services* is wider than that in the 2008 SNA and the FM because it includes other product development that may give rise to patents. It would therefore be appropriate to identify that part of *R&D services* that is not part of the SNA definition of R&D. In all other respects this category appears to be an appropriate categorization of trade in R&D originals and R&D inputs into the production of R&D originals. Nevertheless, it would be desirable to sub-categorize it to separately identify the acquisition and disposal of proprietary rights (patents, copyrights, trade secrets, etc.) so that *R&D services* excluding them can be reconciled with funding data from R&D surveys³. Hence, the following breakdown could be provided:

- 1) R&D as defined in the SNA (creative work undertaken on a systematic basis to increase the stock of knowledge)
 - a. Provision of customized and non-customized R&D services
 - b. Sale of proprietary rights (patents, copyrights, industrial processes and designs, etc.)
- 2) Other R&D services (testing and other product/process development activities beyond R&D as defined in the SNA)

It may be best to source some of the data in item (1b) separately from administrative sources. It would therefore be useful if this item were broken down by type: Patents, Copyrights, Industrial processes and designs (including trade secrets) and Other.

Franchises and trademarks

Franchises and trademarks continue to be classified as non-produced assets and the services they produce are for either final or intermediate consumption.

Capital transfers

Transfers of intellectual assets and services are common between affiliated enterprises and should be recorded in the capital account of the BOP. It is almost certainly the case that they are under-reported, probably to a great extent, but it is an area of increasing interest and efforts will probably be made in the future to improve matters. Therefore, it is highly desirable that they be separately identified in EBOPS and MSITS. As for *R&D services*, above, it is desirable that the transfer of patents should be separately identified.

Evaluation of the draft EBOPS

The following proposals concerning IPPs are made for EBOPS in the draft MSITS:

³ Investigations by the TFIPP have revealed that there is no one best source of data for international transactions in R&D. In practice, national accountants and balance of payments statisticians will use data from a number of sources, including: SITS, FDI surveys, R&D surveys and data from administrative sources, such as patent offices, in order to derive consistent estimates of international flows of R&D for the national accounts and BOP.

8		Charges for the use of intellectual property, n.i.e.
	8.1	<i>Licenses to reproduce and/or distribute computer software A</i>
	8.2	<i>Licenses to reproduce and/or distribute audiovisual and related services A</i>
	8.3	<i>Outcomes of research and development A</i>
	8.4	<i>Franchises and trademarks licensing fees A</i>
9.2		Computer services
	9.2.1	<i>Computer software A (of which originals) B</i>
	9.2.2	<i>Other computer services A</i>
10.1		Research and development services (<i>Subject to further discussion in NA R&D group</i>)
11.1		Audiovisual and related services

Alternative EBOPS groupings

2	<i>Audiovisual transactions</i>
3	<i>Computer software transactions D</i>

2. Updated from MSITS 2002

3. Computer software transactions; would be a grouping of computer software goods; computer software services; and licenses to distribute or reproduce computer software; [need to align with Ch 3 eventually]

Software

As already described, the biggest deficiency in the BOP for software is the inclusion of *Licences to use non-customized software provided on disk for perpetual use* in trade in goods. While the item *Computer software transactions* in *Alternative EBOPS groupings* would be of interest to users, an additional item *Licences to use computer software* would be invaluable for national accountants.

Although less than ideal from a national accounts point of view, with this addition the proposed categories would go a long way to meeting the needs of the national accounts.

Audiovisual products

A breakdown like that for software is required.

R&D

A breakdown of R&D services as described above is needed. Alternatively, sales of proprietary rights (patents, copyrights, etc.) could be presented as "of which items".

Capital transfers

It is proposed that capital transfers of computer software, audiovisual products and R&D products (with patents shown separately) be included as supplementary items.

Summary

The identification of international flows of IPPs is important for the accurate measurement of GFCF. For R&D and computer software it is critically important because of their substantial magnitude. SITS play a key role in providing these data, and to do so most effectively requires extending their scope a little beyond the BOP definition of services to include all flows of IPPs.

It is proposed that the above proposals concerning IPPs for EBOPS should be amended as follows, with the amendments underlined:

- 8 Charges for the use of intellectual property, n.i.e.
 - 8.1 Licenses to reproduce and/or distribute computer software A
 - 8.2 Licenses to reproduce and/or distribute audiovisual and related services A
 - 8.3 Licenses for the use of the outcomes of research and development A
 - 8.4 Franchises and trademarks licensing fees A

- 9.2 Computer services
 - 9.2.1 Computer software A
(of which originals) B
 - 9.2.2 Other computer services A

- 10.1 Research and development services
 - 10.1.1 Creative work undertaken on a systematic basis to increase the stock of knowledge
 - 10.1.1.1 Provision of customized and non-customized R&D services
 - 10.1.1.2 Sale of proprietary rights arising from R&D (patents, copyrights, etc.)
 - 10.1.1.2.1 Patents
 - 10.1.1.2.2 Copyrights
 - 10.1.1.2.3 Industrial processes and designs (including trade secrets)
 - 10.1.1.2.4 Other
 - 10.1.2 Other R&D services (testing and other product/process development activities)

- OR
- 10.1.1 Creative work undertaken on a systematic basis to increase the stock of knowledge
of which sales of proprietary rights arising from R&D: patents, industrial processes and designs (including trade secrets) and other
- 10.1.2 Other R&D services (testing and other product/process development activities)

- 11.1 Audiovisual and related services
 - 11.1.1 Audiovisual products
(of which originals)
 - 11.1.2 Other audiovisual services

Alternative EBOPS groupings

- 2 Audiovisual transactions
Licences to use audiovisual products
- 3 Computer software transactions D
Licences to use computer software

Capital transfers

- Computer software
- Audiovisual products
- R&D products

Of which proprietary rights arising from R&D: patents, copyrights, industrial processes and designs (including trade secrets) and other

ATTACHMENT II

Revising the Manual on Statistics of International Trade in Services

Consultation document and questionnaire on draft chapters and annexes

August 2008

This consultation document sets out the progress in and plans for the project to revise the Manual on Statistics of International Trade in Services. It refers to drafts of all the chapters and selected annexes, and sets out some questions, proposals and options regarding outstanding issues. The revised draft Chapters and annexes can be browsed or downloaded at <http://unstats.un.org/unsd/tradeserv/TFSITS/msits.htm>. It is the second worldwide consultation in the revision process and the draft chapters and annexes presented were guided by the responses received to the first consultation in 2006.

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

The views of your organisation are invited by **24 November 2008**.
Please send your comments to tradeserv@un.org with copy 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 2002². It represented an important advance in providing a clearer, more detailed and comprehensive system for the measurement of services trade. While it is primarily a guide for statistical compilers, it is also a useful tool for Governments and international organizations that use statistical information in connection with international negotiations on trade in services. MSITS provides a framework to address the information needs of trade negotiations and analysis, in particular with respect to the General Agreement on Trade in Services, which came into effect in January 1995.

2. The revised 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 Sixth Edition (BPM6), which is expected to be finalised late this year or early next year;
 - ii) for foreign affiliates statistics – the concepts and definitions are consistent with the System of National Accounts 2008 (2008 SNA), those of the OECD Handbook on Economic Globalisation Indicators (HEGI), the OECD Benchmark Definition of Foreign Direct Investment 4th Edition (BD4), and Regulation (EC) No 716/2007 of 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

² See <http://unstats.un.org/unsd/tradeserv/TFSITS/manual.htm>

European Parliament and of the Council on community statistics on the structure and activity of foreign affiliates.

3. In addition, a new chapter five discusses the measurement of the modes of supply of services and makes new recommendations.
4. MSITS is based on 2008 SNA, and BPM6. But MSITS goes beyond the traditional national accounting concept of trade to consider how services are delivered internationally from a perspective more familiar to trade and market access negotiations.
5. The Interagency Task Force on Statistics of International Trade in Services (TFSITS) plans to produce an updated MSITS by the end of 2009 for approval by UN Statistical Commission (UNSC) in 2010.
6. The main changes for the revision of MSITS are:
 - the incorporation of the relevant BPM6 and 2008 SNA changes. For example the main trade in services classification, the Extended Balance of Payments Services Classification (EBOPS), has been reviewed. It remains a disaggregation of the trade-in-services classification in BPM6. Some further limited changes and options for EBOPS are proposed to take into account the needs and suggestions raised in the 2006 worldwide consultation and proposals that have come from national accounts and policy analysts;
 - for foreign affiliates statistics the text is aligned with the recently published BD4;
 - the measurement of modes of supply of services is discussed in greater detail and new recommendations are set out in Chapter 5;
 - the revision of other linked frameworks such as for Foreign Direct Investment and the Tourism Satellite Account Methodological Recommendations have been incorporated into the text;
 - the incorporation of changes in the activity and product classifications International Standard Industry Classification (ISIC) and the Central Product Classification (CPC), but concordances are not expected to be completed until 2009;
 - other suggestions arising from the worldwide consultation in 2006 have been taken into account;
 - this document sets out a series of issues and questions on the draft material and some remaining options for change for the revision. The remaining options for change mainly but not entirely relate to new EBOPS items, details of Chapter 5, the analytical annex and additional material on issues that cut across goods and services trade.

Progress and Planned Revision Timetable for MSITS:
<p>May 2006 – July 2006 Worldwide consultation period on scope of MSITS update and issues to be included.</p>
<p>August 2006 to January 2007 TFSITS to review worldwide consultation responses on updating MSITS and draft (annotated) outline of updated MSITS. Draft new chapter on Modes</p>
<p>February 2007 - March 2008 TFSITS to draft updated MSITS;</p>
<p>September 2007 Present early draft MSITS chapters to OECD-Eurostat Expert meeting on Trade-in-services Statistics for comment</p>
<p>October-November 2007 TFSITS Progress Report to IMF BOP Committee and UN Statistical Commission</p>
<p>April 2008 TFSITS meeting Vienna to review draft material including a joint session with the TF on International Merchandise Trade Statistics to discuss treatment of cross-cutting issues</p>
<p>April to July 2008 TFSITS agree draft chapters and annexes and prepare worldwide consultation on these, setting out remaining options for change in the revision.</p>
<p>August to October 2008 Worldwide consultation on draft of revised MSITS.</p>
<p>24 September 2008 Presentation of the draft Manual to the OECD Working Party on Trade in Goods and Trade in Services Statistics (Paris)</p>
<p>25 September 2008 TFSITS meeting Paris to review revision progress and plans</p>
<p>November 2008 to February 2009 TFSITS to review comments and re-draft MSITS chapters</p>
<p>March-April 2009 TFSITS meeting and joint meeting with TFIMTS Bangkok i) to review comments; and review the revised Chapters; ii) review need for extra cross-cutting material affecting goods and services</p>
<p>June 2009 Finalise draft of MSITS Chapters and annexes;</p>
<p>Summer 2009 Prepare revised EBOPS-CPC and other concordances;</p>
<p>July–September 2009 Post the draft for final review, contacting countries to explicitly inform them about the possibility for input to this review and to publicize with Expert Groups;</p>
<p>September 2009 TFSITS meeting Paris;</p>
<p>November 2009 prepare submission to UNSC 2010 in coordination with TFIMTS as appropriate;</p>
<p>Spring-Summer 2010 prepare MSITS publication.</p>

Issues and questions for worldwide consultation on the revision of MSITS

Issues and questions for Chapter 1

7. In MSITS Chapter one, the paragraphs 1.18-1.31 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. These have been amended to strengthen the recommendations on partner country data.

Question 1.1

Do you agree with the amended list of priority recommendations as presented in Chapter 1?

Yes No.

Question 1.2

If not, please suggest any modifications to the priority recommendations.

Question 1.3

Do you agree with the new order of priority in the recommendations in Chapter 1?

Yes No.

Question 1.4

If not, please suggest any amendments to the order of recommendations.

Question 1.5

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 trade policy and analytical needs. The chapter has been revised to align with other revised statistical frameworks.

9. Following advice received from the previous consultation, a detailed discussion on modes of supply has been elaborated in Chapter five of the revised Manual and some of the discussion on modes that was in Chapter two of the 2002 edition has consequently been omitted.

Question 2.1

Do you have any comments on the revised draft of chapter 2?

Issues and questions for Chapter 3 and EBOPS

10. 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) is an elaboration of the IMF Balance of Payments services components, as set out in BPM6 Chapter 10. Thus changes to the BOP main components on e.g. manufacturing services/goods for processing, merchanting, telecommunications, computer and information services, post and courier services, financial services, insurance services, charges for the use of intellectual property, and travel are automatically reflected in EBOPS.

11. Some further changes to Chapter 3 are required. It will still be necessary to review the definition of types of service in EBOPS for updating and clarification and examples given. Incorporation of the final list of EBOPS items (as yet undecided) with their descriptions will have to be made.

12. Following the advice of the previous worldwide consultation there should be no significant change in the level of detail of EBOPS. There is nonetheless a need to review the detailed items of EBOPS and its memorandum items. A number of changes to EBOPS have been reviewed by the TFSITS and are submitted as proposals for your comment. These proposed changes are set out in Annex 1 for ease of reference.