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Recent OECD Activities Related To BOP, Trade and FDI Statistics

RECENT OECD ACTIVITIES RELATED TO BOP, TRADE AND FDI STATISTICS¹

1. Introduction

1. This document provides an integrated overview of selected statistical activities by the OECD in the areas of Balance of Payments, international trade and FDI statistics. This integrated approach is a reflection of the increased collaboration and joint work that is being carried out across these various domains, driven by common or interrelated statistical challenges. Much of the joint work also takes place in the context of, and is driven by, the work on the OECD-WTO Trade in Value Added project.

2. This document first gives an overview of work in the area of Balance of Payments with a focus on trade in services and trade in goods, as carried out within the context of the OECD Working Party on international Trade in Goods and Services Statistics (WPTGS). Subsequently, the activities of the OECD Working Group on International Investment Statistics (WGIIS) are summarized, followed by an overview of joint WPTGS-WGIIS activities, which focus on in the context of integrating FDI statistics within the TiVA framework.

3. The last section of the document describes the work of the Inter-Agency Task Force on International Trade Statistics (TFITS), co-chaired by OECD and WTO and with participation by international organizations active in the area of BOP and trade statistics.

2. WPTGS: BOP, Trade in goods and trade in services statistics

4. The OECD Working Party on international Trade in Goods and Services Statistics met in Paris from 24-26 March 2015. The meeting took place against a backdrop of uncertainties with respect to developments in international trade. While there are signs that economic growth has begun to pick up in many OECD economies in the aftermath of the Crisis, trade growth has remained flat. This has raised important policy questions about the capacity of trade – and Global Value Chains more generally – to continue being the drivers of growth that they have been in recent decades. WPTGS plays a vital role in responding to these policy questions, in particular through the provision of new data and indicators that recognise the increasing interdependencies generated by global production.

5. The changing context and priorities for international trade statistics is reflected in the WPTGS mandate that was revised by CSSP (OECD Committee for Statistics and Statistical policy, the WPTGS parent body) in June 2015. The revised mandate demonstrates an increased focus on innovative conceptual, statistical and methodological work related to development and dissemination of trade-related indicators of globalization and global value chains. It recognises the increased overlap and inter-relationships between the different methodological frameworks and manuals that apply to merchandise trade and trade in services, as well as the growing need for integration of trade statistics with other statistical areas. It especially highlights the importance of the work on Trade in Value Added and on linked trade and business statistics.

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6. These topics were also reflected in the main agenda of the 2015 meeting, which included discussions methodological issues in measuring trade in goods and services (with a focus on merchanting and goods for processing; trade in services; and the adjustments needed to align merchandise trade statistics with the economic ownership principle); linking trade and business statistics (with a focus on the progress made in many countries, and a proposal by the OECD for new indicators of particular use for TiVA); the OECD-WTO Trade in Value Added project (with an update on current activities and steps towards improving estimates); and analytical work on trade statistics (including the development of various datasets such as a global matrix of bilateral trade in services statistics by EBOPS category (with WTO), and the estimation of CIF-FOB margins by partner and product).

Methodological challenges

7. The exchange of best practices regarding methodological challenges in the compilation of trade in goods and services statistics remains an important part of the work of the WPTGS. To deal with some of these issues, Informal Reflection Groups (IRG) were created at the 2014 meeting on both merchanting and manufacturing services (goods for processing), and on the provision of detailed trade in services statistics.

Merchanting and manufacturing services (goods for processing)²

8. The discussion among the participants to the IRG on merchanting and manufacturing services highlighted a range of common issues and problems that compilers are currently struggling with when collecting, processing and disseminating data with respect to these items. These included the identification of the relevant reporters (survey sample), the phrasing the questions (and the related instructions to reporters), and the treatment and editing of customs procedures codes. The linking and confronting different data sources was seen as a possible (if not straightforward) method for improving statistics. Many countries also expressed a need for more international guidance on the compilation of these statistics to help in particular with difficult cases and borderline issues.

9. The WPTGS discussion on this topic welcomed the work of the IRG and proposed that it continued its exchanges also toward the next WPTGS meeting. The group will engage in a more detailed exchange on exact questionnaire design and instructions for respondents, as a next step to overcome the challenges involved in correctly measuring these trade flows. The group will also exchange knowledge related to the treatment of CPCs and Nature of Transaction (NoT) Codes. Finally, the group shall seek to identify ‘difficult cases’ and of conceptual questions (such as when change is substantive enough to change the nature of the product) for joint deliberation and for submission to the Task Force on International Trade Statistics so that they may also provide guidance.

² More detail on this project is available in Wistrom and Fortanier (2015) ‘Results of the work of the WPTGS informal reflection group on merchanting and goods for processing’, Paper presented at the WPTGS 2015 meeting (cote: STD/CSSP/WPTGS(2015)2).
[http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=STD/CSSP/WPTGS\(2015\)27&docLanguage=En](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=STD/CSSP/WPTGS(2015)27&docLanguage=En)

Detailed trade in services statistics³

10. The participants to the IRG on more detailed annual trade in services statistics recognized that such more detailed breakdowns are increasingly requested to be able to answer new policy questions, but at the same time noted that many countries experience barriers to publishing more information, including confidentiality issues, limits in the source data, and the need to keep the respondent burden as low as possible. The discussion focused on three points: first, the possibilities for providing more detailed geographical information (among the priorities as presented by the MSITS2010, and a crucial input for the OECD-WTO TiVA initiative); second, the possibilities for providing services statistics for the affiliated and non-affiliated trade, and by modes of supply; and third, the possibilities to deal with confidentiality restrictions which are often encountered.

11. The work of the IRG will continue towards the next meeting, focusing on exchanging detailed practices, especially concerning questions and instructions for measuring partner country detail. The group will work on better estimating Modes of Supply, using the simplified method (or a national adaptation thereof). In addition and as part of this broader activity, the Secretariat will provide insights into the estimations that are currently made for individual countries (joint with WTO), as part of the TiVA database (see also below).

12. The most important barrier towards publishing more detailed information on trade in services, namely the legal confidentiality constraints and barriers to data exchange between different institutions, affects a wider strand of work in addition to trade in services statistics. Many of the innovative trade statistics and indicators that are currently being developed (such as TEC, STEC, linked trade and business statistics, detailed trade in services statistics), require access to, or exchange of, detailed data across different institutions. This can be either nationally (e.g. exchange of micro data, and access to registers, including tax data) or internationally (e.g. the possible submission of confidential non-micro data for specific analytical purposes). Legal frameworks and institutional arrangements do not always allow for this. Therefore, a separate informal reflection group was set up to collect and exchange information on existing national frameworks and institutions in the area of trade statistics, and to collect relevant examples in possible adjacent fields. The aim is to provide positive and concrete examples for countries where the inter-institutional exchange of data may still be problematic, in order to support possible changes in these countries in order to allow them to participate more fully in the statistical work related to measuring international trade and globalisation.

Linking trade and business statistics

13. There is an increased policy demand for statistics derived from linked trade in goods or services statistics and business statistics. Such data can for example describe which firms and industries are responsible for trade in goods and in services, and give important insights into the differences in output, value added and employment (and by derivation also labour productivity) between trading and non-trading enterprises, between large and small enterprises, or between enterprises under different ownership (domestic vs foreign). This information can help policy makers to better grasp the impact of international trade on their economies and to increase their understanding

³ More detail on this project is available in Wistrom and Fortanier (2015) 'Results of the work of the WPTGS informal reflection group on providing more detailed services trade data', Paper presented at the WPTGS 2015 meeting (cote: STD/CSSP/WPTGS(2015)7).

[http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=STD/CSSP/WPTGS\(2015\)7&docLanguage=En](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=STD/CSSP/WPTGS(2015)7&docLanguage=En)

of which firms are engaged in international trade. As a consequence, trade promotion policies can be improved and trade negotiations can be better informed.

14. Given this increased demand for linked trade and business statistics, many National Statistical Offices and Central Banks have recently started to develop such data (e.g. STEC; links between TEC and SBS). The WPTGS discussed the possibilities of developing a limited set of specific indicators derived from such linked data. The aim would be to consolidate and support this important work by NSOs and Central Banks, and to further increase the usefulness for policy making of these linked data by allowing for cross-country comparisons. The indicators are selected to have an immediate use for the OECD-WTO TiVA initiative, as they would allow to better account for firm heterogeneity in global value chains. In addition, the proposed collection is generic enough to also support a large range of additional analytical needs.

15. To investigate the possibilities of such a collection and to exchange best practices on the production of statistics based on linked datasets, a new Informal Reflection Group was set up to investigate the feasibility of producing one or more of the tables presented by the OECD (necessary to account for heterogeneity in TiVA). The group will also identify common challenges related to linking (e.g. record linkages versus propensity matching), but also with respect to grossing up the data, especially when several sources with different periodicities, frameworks and methodologies are jointly matched. The group will also contribute to thinking about the topics and format of the Workshop being organised on linked trade and business statistics in parallel with the next WPTGS meeting.

OECD-WTO Trade in Value Added initiative

16. The WPTGS took note of the variety of activities that are ongoing at the OECD and WTO to produce Trade in Value Added (TiVA) statistics, and discussed the implications for trade in goods, trade in services and BOP statistics. The OECD-WTO TiVA initiative accounts for the value added that is created in each country's industry that is embodied in international trade flows. This new perspective on international trade has resulted in a rich variety of additional indicators of international trade, which are ultimately derived from an Inter-Country Input-Output table (ICIO). The TiVA ICIO is constructed by combining a range of different national data sources, including national supply-and-use and input-output tables, combined with international trade in goods and services statistics, and benchmarked to the latest National Accounts aggregates. It is this combination and integration of different statistics that brings to the fore the many questions related to consistency and coherence between these sources that drive much of the current OECD statistical work in this area.

17. The TiVA data was first published in January 2013, and the most recent data were released in June 2015. The dataset contains now 61 countries, 34 industries and covers the 1995-2011 period. The underlying ICIO has also been published, as well as country notes and other documentation.

18. It is important to note that the production of TiVA estimates presents important data challenges. First of all, the sheer amount of the required input data is huge (national SUT and IO tables with substantive product and/or industry detail and split domestic and import use; bilateral trade statistics by product or services category and industry and end-use; value added and gross output statistics by industry, etc). The lack of data availability, data completeness, or insufficient detail in all sources for all countries means that estimations need to be made on assumptions that may not necessarily be correct. A second important challenge is the consistency of data within countries: SUT, NA and BOP data, while in theory consistent, may not always be so in practice due to different revision policies or differences in source data or compilation methods. While there are solid methodological reasons as to why merchandise trade statistics are different from the BOP trade in goods statistics, more detailed information on the geographical and product impact of the BOP

adjustment procedures is needed to prevent imposing biases when the product/partner breakdown of the merchandise trade statistics is used in an NA/BOP context. Thirdly and finally, the consistency of data across countries, notably with respect to the (lack of) symmetry of trade in goods and trade in services statistics, means that adjustments to national figures are unavoidable to obtain a balanced view of the global economy.

19. In the absence of complete and consistent national official statistics, the TiVA indicators remain estimates. Hence, much work at the OECD currently focus on improving the availability and level of detail of these source data, both with the OECD members via the various statistical Working Parties, as well as with non-members countries via formal and informal collaboration with other organizations (including not only WTO but also Eurostat, APEC, UN ECLAC, UN ESCWA, AfDB and others) and as part of bilateral national collaborations (e.g. in the context of the OECD country programs).

20. In addition to this continuous focus on quality improvement, work on additional impact indicators is currently ongoing (such as employment and skills, CO2 emissions and other environmental impact measures, taxes and competitiveness). Additional, richer indicators of GVCs are also being developed, for example to better accounting for firm heterogeneity. Much of this work is being developed within the context of the OECD Expert Group on Extended Supply and Use tables.

Analytical work

21. A variety of OECD initiatives with respect to using BOP and trade data for analytical purposes were presented at the WPTGS in 2015. Two of these presentations that may be of specific interest to BOP specialists include the development by OECD and WTO of a global trade in services matrix, and a methodology to estimate CIF-FOB margins on imports by product and partner country.

OECD-WTO Global Trade in Services Matrix⁴

22. Together with bilateral merchandise trade statistics, the bilateral matrix of trade in services forms the “glue” that ties national Input Output tables together into the Inter Country Input Output table (ICIO). However, trade in services statistics as reported by countries suffer from several drawbacks, which means that a variety of analytical steps are necessary before they can be included in the ICIO. The most important problems include the lack of detailed data by service category and partner country, and, when such data are available, the lack of comparability of these data between reported data and mirror statistics (trade asymmetries).

23. The ongoing collaborative OECD-WTO work on creating bilateral Trade in Services matrices has received a strong new impetus due to TiVA, for which such a matrix is one of the handful of main input datasets. The current ICIO uses an estimated matrix of trade in services by industry, based on optimization routines. However, the ultimate goal is to use a transparently constructed set of trade in services statistics, which leverages all available official trade in services data and is also produced, as much as possible, in collaboration with national trade in services

⁴ More detail on this project is available in OECD and WTO (2015) ‘Towards a Global Matrix of Trade in Services for TiVA: Progress Report’, Paper presented at the WPTGS 2015 meeting (cote: STD/CSSP/WPTGS(2015)27).

[http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=STD/CSSP/WPTGS\(2015\)27&docLanguage=En](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=STD/CSSP/WPTGS(2015)27&docLanguage=En)

statistics compilers. This matrix would thereby not only fully meet all the requirements for TiVA, but can also be used for many other analytical purposes. The challenge ahead is to construct a matrix of trade in services consisting of bilateral relationships for all 61 countries (+ rest of the world) currently included in TiVA, for the years 1995 to present (2012). These data should be symmetrical (i.e., reported flows and mirror flows have to be identical), and need to be broken down by industry (TiVA includes currently 34 industries of which around half are services).

24. OECD and WTO have worked towards producing this matrix by maximizing the indirect statistical information in the reported data using derivations from EBOPS and regional aggregates, and using time-series information via backcasting, forecasting and interpolation techniques. Currently, a complete series of exports and imports of trade in services by EBOPS category and partner World, for 188 countries, from 1995 to 2012 (including ~30% estimated values), and over 1 million data points have been added to the bilateral dataset (more than doubling the size of the officially reported datapoints). Work is ongoing to provide additional estimates, e.g. via in-depth studies of individual countries, the development of a methodology of estimating trade in services when no partner data is available at all, and the use of mirror data. Work is also starting for matrices in EBOPS2010 (from 2010 onwards).

Estimating CIF-FOB margins

25. A second project that OECD has embarked on is the production of a dataset with estimated CIF-FOB margins on imports, by product and partner country, which will allow for international merchandise import statistics to be presented at FOB valuation for all countries. The aim of this project is to facilitate the analytical use of international merchandise trade statistics and to contribute to the understanding and reconciliation of trade asymmetries.

26. In the context of TiVA, an adequate measurement of (and corrections for) the CIF/FOB margin (or the costs of transport and insurance of international trade) is important for three interrelated reasons. First of all, in the construction of national (and per extension, international) supply and use and input-output tables, imports are valued FOB, as this allows them to be valued in a way that is most comparable to the basic prices at which domestic production is recorded. Hence, it is necessary to adjust the merchandise trade values (valued CIF) at the detailed product and partner level to obtain the corresponding FOB values. Secondly, when producing a balanced matrix of international trade in which trade asymmetries are reconciled, which is the basis for integrating the various national input output tables into an inter-country ICIO, a uniform valuation (FOB) of exports and imports should be the first starting point. Thirdly, a proper measurement of the CIF/FOB margin allows us to subsequently make more precise corrections for those parts of the transport and insurance costs that are already included in the imports of these services (i.e. that are provided by non-residents), or that are already counted as national output and value added (when provided by residents).

27. At the moment, most countries only publish highly aggregated information on the CIF/FOB ratio (or on the CIF/FOB adjustments in the Supply and Use tables). It is therefore common practice to make estimations of these ratios based on available data when analysts are in need of more information on CIF/FOB margins by partner country and detailed product. This is either done by generalizing information from one or a few countries (USA is often used as they have very detailed data available), or by using bilateral mirror data from UN COMTRADE to estimate the difference between CIF and FOB values (which is less precise but has the advantage of covering more countries).

28. Our methodology follows this line of work by using a model-based approach to estimate CIF-FOB margins for the OECD-WTO TiVA initiative. One of our main improvements compared to earlier studies is the construction and use of a much more extensive dataset of bilateral CIF-FOB

information as published by national statistical authorities at the 6 digit level. It is the largest dataset to date of CIF-FOB data both in terms of numbers of countries involved (15) and time period covered (1995-2014). We build our model on this dataset and subsequently validate it by using a larger - but often considered less reliable – dataset of CIF-FOB values derived from UN COMTRADE. The data will be made available for review and comments by WPTGS members in the coming months, before being more widely released.

Bilateral trade asymmetry meetings

29. The 2015 WPTGS was preceded by a day of bilateral meetings on reducing trade asymmetries. Participants highlighted that the bilateral discussions (i.e. the OECD secretariat was not in the room) were not only very useful to uncover (methodological) causes for asymmetries, but also provided a very good opportunity to bilaterally exchange processes of data collection, processing and dissemination. These bilateral discussions will therefore be continued in the future. Participants to the asymmetry meetings are also encouraged to share the outcomes of their meetings with the OECD, for example on the causes of asymmetries. In this way, even if official data are not changed after a bilateral meeting, the Secretariat will have a better understanding of the nature of asymmetries that will inform the TiVA balancing process.

Future work, meetings and events

30. The upcoming WPTGS meeting will take place from 21-23 March 2016, with a half day back-to-back session with WGIIS to discuss in detail the overlapping topics and data integration needs stemming from the work on integrating FDI into the Trade in Value Added database (see also below). The agenda of the 2016 meeting will feature the reports of the five Informal Reflection Groups, and country presentations on the topics of these groups. The agenda will also allow time for the exchange of country experiences regarding the adjustments of merchandise trade statistics (cross-border principle) to the economic ownership principle that is central to the BOP and National Accounts. Questions on this topic will also be included in the stocktaking questionnaire in preparation to the meeting, which will also include a detailed set of questions on trade in services statistics as presented by IRG 3.

31. The meeting will be followed by a special workshop on Linking Trade and Business Statistics (24 March 2016), and the successful bilateral trade asymmetries meetings (both in goods and services) will be continued (24-25 March 2016).

3. WGIIS: Working Group on International Investment Statistics

32. The OECD Working Group on International Investment Statistics (WGIIS) meets twice a year. Its upcoming meeting takes place on 20-21 October 2015, one week before the IMF BOPCOM meeting and therefore after the writing of this report. Among the main agenda items for that meeting are estimating and recording dividends, identifying superdividends, and implementation of the presentation of FDI statistics by Ultimate Investing Country (UIC). Among the main agenda items from the March 2015 meeting of the WGIIS were the implementation of BMD4, the UIC presentation, and asymmetries in FDI income statistics.

BMD4 implementation

33. The FDI statistics required by BMD4 are closely aligned with BPM6. Still, there are some important differences, notably with respect to the reporting of detailed statistics by partner country and by industry on a directional basis (as opposed to an Asset-Liability basis in BPM6), and the separate reporting for resident SPEs. At the moment, 32 out of the 34 OECD member countries are expected to report their FDI statistics according to BMD4 this year (although not all have yet fully implemented BMD4). Separate statistics for resident SPEs are expected for 18 countries, while 15 countries do not have resident SPEs.

FDI statistics by Ultimate Investing Country

34. Data on inward FDI positions by Ultimate Investing Country (UIC) are currently reported by 7 countries including Austria, Czech Republic, Estonia, Finland, France, Poland, and United States, and more countries are expected to provide such data in the coming years. However, as countries are implementing these statistics, several methodological issues have come to the fore:

35. First of all, the identification of the country of residence of an investor who is an individual may be problematic. Secondly, the identification of the country of investment funds (e.g. private equity funds) remains challenging because such entities often gather funds from investors in a number of countries, and can originate in a country different from the one the funds come from (e.g. a UK fund investing from Luxembourg). In such cases, assigning as the UIC the country of the immediate investor overstates importance of pass-through countries, while assigning as the UIC the country of origin overstates the importance of financial centers. Finally, for a significant share of companies, obtaining UIC information is not always straightforward: it may be possible to understand where it is incorporated (e.g. Bermuda), but difficult to identify where the owners of that entity really reside.

36. In light of these methodological issues, WGIIS would like to develop more complete guidance than currently available in BMD4, aligning this guidance as closely as possible to FATS/AMNE concepts, while drawing on work done by others (e.g. Eurostat on the Ultimate Controlling Investor) and on country experiences to develop practical guidance.

Asymmetries in FDI income statistics

37. As part of the work on integrating FDI income statistics into the TiVA framework in collaboration with WPTGS (see below), significant asymmetries were observed in the bilateral FDI income statistics (including even differences in sign). Indeed, many of the reasons that explain asymmetries identified by the IMF in the context of the CDIS also apply to income. An important explanation is differences in the identification of partner country, for example when attribution is based on the ultimate investing versus the immediate investing country, when there are differences in the identification of direct ownership relationships (e.g. in complex MNE ownership chains, possibly involving SPEs), or when definitions of geographical territory differ. Differences in coverage of fellow enterprises also results in asymmetries, and by its very nature the application of the extended directional principle introduces an asymmetry in the mirror statistics. Specifically for the FDI income statistics, differences in application of the Current Operating Performance Concept may result in asymmetric mirror statistics.

38. It is important to undertake work to reduce FDI income asymmetries in those cases where they theoretically should not exist, not only for reasons of statistical quality, but also for the usability of data, including in the work on integrating FDI income into the TiVA framework. This activity for

FDI income statistics builds on the work such as by the IMF on asymmetries in the CDIS and Eurostat and ECB in the FDI Network.

Future activities

39. A variety of activities are on the agenda for the WGIIS. First of all, now that most countries have implemented BMD4, the WGIIS will complete a metadata survey (early 2016) to provide information to data users on the comparability across countries of the statistics in the OECD FDI Statistics Database. It will also focus on the items that are unique to the OECD dataset such as the identification of, and compilation of statistics for, resident SPEs and statistics by UIC. Secondly, the subject of harmonizing and linking FDI and AMNE statistics remains on the agenda of WGIIS. This year the focus will be on developing compilation guidance and finding examples of countries who have engaged in this linking. This integration of FATS and FDI data is also of great relevance to the third theme on the WGIIS agenda, which is investment and global value chains (jointly with WPTGS, see below) and the integration of FDI income data into the TiVA database.

4. WPTGS-WGIIS: joint work on integrating FDI in the analysis of Global Value Chains⁵

40. Foreign Direct Investments (FDI) by Multinational enterprises (MNEs) are one of the main drivers of globalisation and of the creation of Global Value Chains. Still, despite substantive and ongoing research on international trade, MNEs, FDI, and their economic impact, measures that quantify the direct and indirect roles of FDI and MNEs in GVCs are not yet available for a wide range of countries and industries. The OECD, via its work for both the WPTGS and WGIIS, aims to take the first steps to build such measures, by capitalizing on achievements in the areas of measuring Trade in Value Added (Global Value Chains) and FDI statistics.

41. More specifically, we aim to integrate FDI income receipts and payments into the TiVA framework to adjust the TiVA data to better understand the impact of foreign ownership on a country's exports and imports of value added. This allows us to quantify the 'stickiness' of value added produced by foreign-owned firms. While one of the main contributions of TiVA is the splitting of exports into domestic and foreign (i.e., imported) value added parts, this does not yet consider the ownership of the domestically produced value added; that is, is the domestic value added produced by a foreign-owned or domestically-owned firm? Some parts of the value added of foreign-owned firms are expected to remain in the economy; these 'sticky' parts include wages and taxes. However, the other part – the operating surplus or profits – is expected to be less 'sticky' because it accrues to the foreign parent. It is the foreign parent that decides whether these profits are reinvested in the affiliate or are repatriated to the home country. Similarly, TiVA currently does not specify how much of a country's imported value added is actually produced by the foreign affiliates of a country's MNEs (which may result in income receipts). To produce this link, we have to move to the foundations of TiVA and complement the ICIO with data on ownership and FDI.

⁵ More information on this work can be found in Fortanier and Borga (2015) 'Linking TiVA and FDI statistics: first results and future plans', Paper presented at the WPTGS 2015 meeting (cote: STD/CSSP/WPTGS(2015)25).

[http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=STD/CSSP/WPTGS\(2015\)25&docLanguage=En](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=STD/CSSP/WPTGS(2015)25&docLanguage=En)

42. The first results of this work were presented to both the WPTGS and WGIIS meetings in March 2015, and more extensive findings are discussed at a special workshop on the 19th of October 2015 (still upcoming at the time of writing this report). For example, they indicate that in the 2009-2011 period, for the 20 OECD countries for which sufficient data are available to make the calculations, on average 15% of the direct domestic value added content of exports consisted of repatriated earnings by foreign owned enterprises.

43. While this clearly does not provide for a complete overview of the role of MNEs in GVCs, it does present an important first step to do so, and also complements other ongoing work (e.g. by the Expert Group on Extended Supply and Use Tables, that works on breaking down SUTs by ownership).

44. More importantly, however, for both trade and FDI statisticians, is that these integration activities also highlight again the many statistical challenges in trade and FDI statistics, including for example the consistency of FDI and FATS statistics, the harmonization of industry classifications across value added, FDI, and trade in goods and services statistics (including Trade by Enterprise Characteristics and Services Trade by Enterprise Characteristics), and the importance of separating out SPEs and capital-in-transit in FDI statistics.

45. In addition, and even more fundamentally, the integration highlights issues related to the blurring of the line between trade in services and property income, which distorts our current value-added measures and hampers comparability of data. This is most prominent in intra-MNE transactions in intangible assets where transactions can be recorded as international trade in services or implicitly as primary income payments. The use of intangible assets should be recorded as imports of services so that it is included in the affiliate's intermediate consumption enabling the accurate measurement of the affiliate's value added. If, instead, it is recorded implicitly under income payments, the affiliate's value added is overstated. Likewise, the exports and value added of the parent companies who own these intangible assets are understated. Clearly such distortions have broad implications for the quality of economic statistics as a whole.

46. These statistical challenges will continue to be discussed by WPTGS and WGIIS in the future, for example during their meetings in March which have been planned in such a way that there is a half-day joint session for all participants.

5. Task Force on International Trade Statistics

47. The Inter-Agency Taskforce on International Trade Statistics meets annually, with an upcoming meeting on 15-16 October 2015, one week before the IMF BOPCOM meeting and therefore after the writing of this report. The TFITS is a merger between the Task Force on Statistics on International Trade in Services (TFSITS), and the Task Force on International Merchandise Trade Statistics (TFIMTS). Its mandate focuses on harmonization and collaboration of the collection, processing and dissemination of data and metadata of merchandise trade and trade in services; the development and promotion of international standards and classification systems; and the resolution of compilation problems and provision of technical assistance in order to improve the availability, quality and comparability of statistics.

48. The October 2015 meeting will discuss a variety of issues, including the coordination of technical assistance and statistical capacity building activities by the various international organizations; the development of G20 aggregates for merchandise trade statistics and for BOP, and

the first results and next steps of the joint metadata questionnaire on trade in services by EBOPS category that was implemented by Eurostat and OECD.

49. An important agenda item remains the Compilation Guide to the Manual on Statistics of International Trade in Services (MSITS 2010). This Compilation Guide was developed by the TFITS members and published in December 2014 to meet the immediate needs for guidance expressed by many countries. At the same time, it was recognized that more detailed and precise guidance, in particular on issues related to e.g. merchanting and goods for processing should continue to be developed and that concordance tables should still be finalized (building also on the work of the TF on Global Production). The MSITS 2010 CG is therefore treated as a living document that can be regularly updated.

50. The TF will finally discuss updates regarding more analytical work, related e.g. to the development of the OECD-WTO bilateral trade in services matrix (see above) and ongoing work by international organizations on dealing with asymmetries in merchandise trade statistics. Finally, the TF will discuss progress with respect to relatively new areas of work such as Trade in Services by modes of supply.