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**Items for information: statistics of international trade in services**

## Statistics of international trade in services

### Report of the Secretary-General

#### *Summary*

The present report was prepared in accordance with Economic and Social Council resolution 2013/235. The report highlights the development of the Compilers Guide for the *Manual on Statistics of International Trade in Services 2010* (MSITS 2010). It describes the work of the United Nations Expert Group on the Compilation of Statistics of International Trade in Services and presents an outline of the main parts of the Compilers Guide. It further reports on the accomplishments of the Task Force on SITS. The Commission is invited to take note of the report and thereby endorse the Compilers Guide for MSITS 2010 for use by Member States.

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\* E/CN.3/2014/1.



## I. Introduction

1. In its decision 41/104 (see E/2010/24, chap. I.B), the Statistical Commission adopted the *Manual on Statistics of International Trade in Services 2010* (MSITS 2010),<sup>1</sup> while recognizing the challenges the national statistical systems would face in implementing the recommendations contained in the *Manual*. The Commission therefore emphasized the importance of compilation guidance and training, and urged the Task Force on Statistics of International Trade in Services to set a time frame for the development of such guidance so that member countries could plan their implementation programmes accordingly. The Commission also urged that those programmes be carried out as a coordinated effort of national statistical offices, central banks and other relevant government agencies.

2. In December 2011, the United Nations established an Expert Group on the Compilation of Statistics of International Trade in Services consisting of national experts of developed and developing countries as well as members of the Task Force. The Expert Group was created to ensure active country involvement in the production of a Compilers Guide for MSITS 2010, which was scheduled to be completed by the end of 2013 and submitted to the Statistical Commission at its forty-fifth session in 2014.

3. The present report contains information on the development and content of the Compilers Guide (sects. II and III), and presents an overview of the work of the Task Force (sect. IV). Conclusions and an examination of the way forward are provided in section V.

## II. Development of the Compilers Guide for MSITS 2010

4. The development of the Compilers Guide effectively started in March 2012 with the first virtual meeting of the Expert Group, at an electronic discussion forum, and was immediately followed by a meeting of the Task Force in New York at the end of March 2012. The purpose of these initial meetings was to reach agreement on the scope and general content of the Guide, as well as to review the annotated outlines of its individual chapters. The Expert Group agreed that the Guide would consist broadly of five main parts: (a) general frameworks, including legal and institutional frameworks; (b) data-collection issues; (c) data compilation issues; (d) data dissemination; and (e) cross-cutting issues, including quality management and metadata.

5. In May 2012, the updated outline of the Compilers Guide was circulated for comments in a worldwide consultation. A little over 50 replies were received from national statistical offices, central banks and other government institutions. Countries welcomed the guide and expressed their agreement with the overall structure in terms of main parts, chapters and annexes, but made several suggestions regarding the content of the main parts and some of the chapters. Countries, advised to make extensive use of examples of country practices, emphasized the importance of consistency within the guide and in relation to the conceptual manuals, supported the existence of a dynamic (Internet-based) version of the guide and suggested that

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<sup>1</sup> ST/ESA/M.86/Rev.1 (United Nations publication, Sales No. E.10.XVII.14).

differences in data compilation issues across the various geographical regions be taken into account.

6. The outcome of the worldwide consultation, some first draft chapters and the organization of the drafting process were reviewed in a virtual meeting in October 2012 in which 85 posts were submitted. The Expert Group supported the coordination structure of the drafting process, the division of labour, which included the support of experts from more than 40 countries, the production of a printed and a dynamic version of the guide, and the use of the draft chapters then available of the Compilation Guide for the sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)*<sup>2</sup> for consistency purposes. It was put on record that the added value of the Compilers Guide for MSITS 2010 was the extra detail of guidance regarding compilation of the Extended Balance of Payments Services Classification (EBOPS) categories and the breakdown by partner countries, as well as of foreign affiliates statistics (FATS) and modes of supply, which are not covered in the balance of payments. In subsequent months, almost 200 contributions (country practices or instructional sections) were sent by the experts and were grouped according to the planned structure. The accumulated draft text was reviewed in March 2013, again at the discussion forum. Over 100 posts were submitted, encompassing comments on specific chapter-related issues. The experts suggested textual revisions and rearrangements of chapters. While it was the United Nations Statistics Division, as the secretariat of the Expert Group, that kept track of all the changes, the revisions of the chapters represented a concerted effort of four organizations (Eurostat, the Organization for Economic Cooperation and Development (OECD), the World Trade Organization and the United Nations Statistics Division).

7. After this series of three virtual meetings and a global consultation, the Expert Group convened for a five-day face-to-face meeting held in Geneva in June 2013, where materials pertaining to all 24 chapters of the guide were reviewed. Thirty-four experts from developing and developed countries as well as the international organizations agreed upon the general principles for completion of the drafting process and the presentation and standardization of country examples and best practices. Moreover, with direct support from Vladimir Markhonko, the contracted editor of the Compilers Guide, each of the chapters was reviewed and the work left to be done was clearly noted. During this review, it was decided to reduce the overall structure of the Guide from five to four main parts, combining data dissemination with cross-cutting issues, since it was more logical to keep the subjects of dissemination of data and metadata together. The meeting concluded with the adoption of an action plan for the completion of the guide. A detailed 30-page report of the June meeting containing detailed conclusions and the action plan was subsequently circulated and approved by the Expert Group.

8. The drafting process of the Compilers Guide followed these general principles:

(a) The Guide contains concepts and definitions from MSITS 2010 and related standards, especially the *Systems of National Accounts 2008* (the 2008 SNA)<sup>3</sup> and BPM6, and makes clear references to those frameworks;

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<sup>2</sup> Washington, D.C., International Monetary Fund, 2009.

<sup>3</sup> ST/ESA/STAT/SER.F/2/Rev.5 (United Nations publication, Sales No. E.08.XVII.29).

(b) The Guide is to be viewed not as a paper containing conceptual discussions, but rather as a document explaining the agreed concepts and recommendations of MSITS 2010, and the corresponding implementation advice;

(c) The main purposes of the Guide are to provide clarification of conceptual issues, advice on available sources of data and their collection, advice on compilation of the collected data, and identification of useful practices in the production of good-quality statistics on trade in services;

(d) The hard-copy version of the guide will contain the main features of these practices; further elaboration on topics, more technical details and more country practices will be provided in the dynamic Internet version of the guide.

9. During August and September 2013, the editor revised and updated the Compilers Guide in accordance with these drafting principles and with the agreed conclusions of the June meeting, while the organizing organizations collected and transmitted further contributions. The fully edited version of the draft guide was then presented to the Task Force at its meeting in October 2013 and was discussed electronically by the Expert Group during November 2013. During the electronic discussion, it was noted that there remained certain areas where the guidance was provisional, which partly reflected the need to fine-tune some sections and provide examples of best practice, depending on the underlying statistical information system. It was also noted that there remained some areas requiring further development of compilation guidance. While some of these unresolved issues are being pursued in other forums (such as the Economic Commission for Europe (ECE) Task Force on Global Production), the complex nature of transactions within global production arrangements has meant that development of guidance by these forums has been delayed. Because of the importance of ensuring harmonized international guidance on implementation, this has necessarily had an impact on the finalization of the Compilers Guide for MSITS 2010. The Expert Group agreed to reflect the outcomes of that work in the Guide, if they would be available on time, or to flag the issues requiring further action if recommendations were not forthcoming soon. Notwithstanding these issues, at the time of the electronic discussion, it was agreed that there was a strong need for guidance to be made available as soon as possible to assist in the implementation of MSITS 2010. Acknowledging this urgent need for guidance, the Group further agreed that the draft version of the Guide should be submitted to the Statistical Commission at its forty-fifth session in 2014 and made available to compilers for use now, as a draft electronic document that would be finalized in a reasonable time frame after March 2014.

### **III. Content of the Compilers Guide for MSITS 2010**

10. The Compilers Guide is intended to better integrate compilation of statistics of international trade in services as part of the compilation of related economic statistics and therefore recognizes the importance not only of the statistical standards of the 2008 SNA and BPM6, but also of the international recommendations contained in the Guidelines on Integrated Economic Statistics (United Nations publication, forthcoming) and the advice given in the National Quality Assurance Framework. Further, the guide has distinct added value with respect to the compilation of statistics of trade in services by EBOPS categories and trading partners, of FATS and foreign direct investment (FDI) statistics, as far as

this relates to the international supply of services, and of modes-of-supply statistics on the basis of the analytical framework laid out in MSITS 2010.

11. The organization of the Guide largely follows the logic of the statistical process, beginning with an overview of the conceptual, legal and institutional context, followed by the details of data collection and data compilation, and concluding with the elaboration of several key cross-cutting topics, which include data dissemination. As noted above, the Guide consists of four main parts, described below. The full text of the draft Compilers Guide is provided to the Statistical Commission as a background document.

12. Part one provides an overview of the general frameworks governing the work of data compilers, namely, the conceptual framework, the legal framework and the institutional arrangements that underpin the statistical production process. The consistency between the concepts and definitions used in MSITS 2010 and those used in the 2008 SNA and BPM6 is demonstrated and explained. The concepts in MSITS 2010 are also harmonized as much as possible with related frameworks regarding FATS and FDI. It is especially important for a Compilers Guide to highlight and explain the advantages of a legal framework for obtaining data sources, and for sharing and use of basic data sources by relevant national institutes. Effective institutional arrangements are also crucial for the production of high-quality statistics.

13. Part two, which focuses on data collection, begins with an overview of data sources within the modes-of-supply framework. In general, a statistical business register is important as a survey frame for grossing up sample results with the objective of covering the whole national economy, but it is even more important for the integration of economic statistics (which includes statistics of international trade in services) as a central sampling frame for all business surveys. Examples are provided of enterprise and establishment surveys, which can be used to collect data for the compilation of both statistics on resident/non-resident trade in services and FATS. Alternatively, administrative records could be used as a data source, such as the international transactions reporting system. Part two concludes with a broad comparison of the practical advantages and disadvantages of these various data sources.

14. Part three elaborates on many issues of data compilation, providing guidance on how to overcome some of the difficulties associated with the integration of the various data sources mentioned above. Country experiences, including challenges and good practices, are described for the compilation of particular EBOPS services categories, as well as for the compilation of FATS and modes of supply. Part three also elaborates on the use of models and estimates to complement and complete the observed data.

15. Part four deals with cross-cutting topics like metadata, quality management and the use of information technology. The metadata are relevant for the correct understanding of the content, coverage and limitations of the reported data, and should guide users on their correct interpretation. Most aspects of data compilation have a direct impact on quality assurance, and quality management is therefore more systematically described in this part of the Guide. Further, while carrying out an integrated presentation of statistics of trade in services, trade in goods, FDI and FATS is not an easy task, it can be achieved and is discussed in the chapter on data dissemination.

#### IV. Task Force on Statistics of International Trade in Services

16. The composition and the organization of work of the Task Force were described in detail in its report to the Commission at its forty-third session (E/CN.3/2012/23), held in February/March 2012. The Task Force met subsequently, most recently in Paris from 16 to 18 October 2013. Work on the Compilers Guide (see sect. II above) was one of the main agenda items. Additional items considered are discussed below.

17. Various international organizations (the United Nations Statistics Division, OECD, Eurostat, the United Nations Conference on Trade and Development-World Trade Organization-International Trade Centre (UNCTAD-WTO-ITC) and the International Monetary Fund (IMF)) are collecting and disseminating statistics of international trade in services by EBOPS categories and are faced with the gradual changeover of countries from the original EBOPS to EBOPS 2010, which is a reflection of the replacement of the fifth edition of the *Balance of Payments Manual* (BPM5)<sup>4</sup> with the sixth edition (BPM6). IMF began in August 2012 to report balance-of-payments statistics according to BPM6 using an agreed upon BPM5-to-BPM6 conversion (including estimates for the new services components of BPM6, in collaboration with its members) for those countries that are still compiling the balance-of-payments statistics according to BPM5. For the more detailed EBOPS 2010 classification, such a conversion is more difficult and the switching over to a full dissemination of trade in services statistics on an EBOPS 2010 basis will have been achieved only when a sufficient number of countries are already reporting on that basis (which is foreseen for 2015). For instance, the World Trade Organization, UNCTAD and ITC now release jointly a common data set on trade in services (resident/non-resident trade). As secondary data distributors, they decided to move to a BPM6 presentation in 2015, once major traders, such as European Union (EU) member States, have implemented the BPM6.

18. The Task Force supports the proposal for a methodological soundness questionnaire on the compilation of data based on EBOPS 2010. The methodological soundness questionnaire aims at collecting metadata on statistics of international trade in services in order to identify and compare how national offices have implemented EBOPS 2010 and to offer the opportunity to benchmark and disseminate good practices. The questionnaire will be disseminated only after 2015-2016, once countries have implemented EBOPS 2010; ideally, it should be web-based and use existing information and forms that are already used by, for example, IMF, in its metadata web form.

19. The EBOPS 2010-CPC 2.0 correspondence table established by the United Nations Statistics Division, with the assistance of IMF, OECD and the World Trade Organization, was presented to the Expert Group in June 2013 and should appear in the form of an annex to the Compilers Guide, since it is in great demand by compilers. The correspondence table was also submitted to the United Nations Expert Group on International Economic and Social Classifications for initial feedback, and will be formally reviewed by the United Nations Technical Subgroup for the Central Product Classification. The table will be made available on the website of the Task Force.

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<sup>4</sup> Washington, D.C., International Monetary Fund, 1993.

20. The Task Force welcomed the IMF report on the completion of the Statistical Data and Metadata Exchange (SDMX) Data Structure Definition for balance-of-payments statistics, including statistics on international trade in services. The code lists for the dimensions of the Data Structure Definitions, which are shared by balance of payments, FDI and national accounts, have been fully harmonized to facilitate implementation. The Task Force will encourage countries to report using SDMX.

21. With the support of the Task Force, the World Trade Organization coordinates capacity development activities for the implementation of MSITS 2010. A list of current activities (national and regional events) is made available online and it is noted that the Compilers Guide will be a useful tool for strengthening statistical capacity. The e-learning course developed by UNCTAD and the World Trade Organization can be used as a preparatory activity for participants in training seminars to enable more in-depth treatment of compilation issues at the actual training activity event. The UNCTAD TrainForTrade platform is used to develop the e-learning courses. Furthermore, the World Trade Organization will prepare an inventory of financing bodies to help countries apply for funding for training seminars and other capacity development activities.

22. Improvements of trade in services statistics according to EBOPS 2010 and FATS will remain prominently in the agenda of the Task Force. Improvements in quality and coherence of detailed trade data by partner country and EBOPS category, and consolidation of discrepancies across reporters, are essential for international input-output tables, which are needed for analytical work, such as that reflected in the OECD-World Trade Organization Trade in Value Added (TiVA) database and global value chains analysis.

23. For a number of years, the Task Forces on Statistics of International Trade in Services and in International Merchandise Trade Statistics (IMTS) have held back-to-back meetings, thereby creating the opportunity for overlapping issues to be discussed at a joint meeting between those meetings. The membership of these two Task Forces overlaps, but, partly, members belong to different institutes at the international level serving different constituents at the national level. However, the issues of compilation of international trade in goods and services are increasingly intertwined, to the point where it now seems more fruitful and useful to integrate the two Task Forces.

## **V. Conclusions and the way forward**

24. As described in section II of this report, the process of developing a high-quality and relevant Compilers Guide for MSITS 2010 has been thorough, intense and inclusive, and exemplary in respect of the way practitioners in the global statistical system have been able to work together. Extensive efforts were invested in the process by experts from more than 40 national institutes and at least six international organizations. Through worldwide consultation, all member States were solicited early in the process for their views on what should be covered in the guide. Discussions at the four electronic meetings offered opportunities for gathering comments from many experts over extended periods of time. As the editor's task in respect of what still needed to be done to produce the full version of the Compilers Guide had been well articulated in the June 2013 report, the members of the Expert Group were able by November 2013 to agree that the draft Compilers

Guide was of sufficient quality to be submitted to the Statistical Commission as a background document, with the understanding that this draft version would be further finalized and prepared for issuance in print several months after the conclusion of the forty-fifth session of the Commission in March 2014.

25. As the work on the Compilers Guide is being finalized, the Task Force will continue its focus on improving the quality, level of detail, comparability and availability of statistics of international trade in services. Data on bilateral trade in services by EBOPS categories, and on FATS and FDI, as well as on modes of supply are important for the work undertaken by the Friends of the Chair Group on International Trade and Economic Globalization. In that context, the issue of integration of statistics of international trade in services and business statistics needs more attention from the national compilers. Such integrated data are also an important input for analytical work on global value chains and, specifically, as input to the compilation of estimates for trade in value added.

26. The Statistical Commission is invited to take note of the work accomplished by the Expert Group on the Compilation of Statistics of International Trade in Services, of the urgency of providing compilation guidance for the implementation of MSITS 2010, and of the commitment of the Expert Group to finalizing the draft Compilers Guide within a reasonable time frame after March 2014. In this context, the Commission is invited to take note of the present report and thereby endorse the Compilers Guide for MSITS 2010 for use by member States.

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