

## MSITS consultation responses to general questions and other comments

### General Questions

*G.1 While the MSITS mainly deals with conceptual standards, it is suggested that the updated MSITS should systematically discuss the need for metadata - i.e. information about the data produced by compilers and the methods they have used in order to make them more understandable and facilitate international comparisons. Examples would be given of issues that metadata should cover. Compilers would be encouraged to note explicitly cases where international standards have not been followed. Do you agree with such an addition? Yes or No?*

Comments: \_\_\_\_\_

The great majority of respondents agreed with the proposition in G.1 that MSITS systematically discuss the need for metadata. (87 yes, 5 No, 4 cautious comments argued pros and cons)

Supporters agreed the need for metadata to assess data quality, comparability etc. Opposing remarks warned against duplication of other metadata systems and potential burden on countries .

#### Comments to Q G.1

CARICOM Agreed –this is of fundamental importance in assessing data quality and international/regional comparability.

Eurostat Inserts with best practices might be useful.

UNESCO Yes\_ Important for comparability purposes

Peru Yes: It is important to know information on the methods used in compilation to facilitate production of these kinds of statistics.

Colombia Yes. Sheds light on the compilation methods used and allows better interpretation of the data.

Czech Republic Yes It would be helpful if scope and structure of metadata are clearly specified.\_

Canada Yes There is a need to harmonize the requirements for metadata across the different international agencies

Iran yes if the mentioned addition and metadata discussion could move the integrated methods to more detail levels in more countries

Switzerland NSO Yes. We think that metadata are essential for a proper understanding of the figures.

Kazakhstan Yes. Similar metadata contribute to reaching improved comparability and, as a result, to improve the quality of the data.

LatviaCB No\_\_To avoid the additional burden and duplication, country metadata, already, are available on the IMF Dissemination Standards Bulletin Board (<http://dsbb.imf.org>), on Eurostat-OECD questionnaire "Methodology of International Trade in Services Questionnaire"and published in the annual ECB issue "European Union BoP/IIP Statistical Methods"\_\_\_\_

Israel Yes \_It may be very useful to have information on methodology and experiences of other countries compiling international trade in services\_\_\_\_\_

Spain Yes. We fully agree with this suggestion. It is very difficult in some cases to comply fully with international standards, in particular when CIS data come from direct surveys of enterprises. The

inclusion of metadata is essential to enable compilers to explain departures which occur in practice from the methodology set out in the Manuals.

Kirghizistan CB Yes To learn from the other countries experience would be useful

Portugal Eurostat and OECD already launched a Soundness Questionnaire on Services. Additionally, there are the SDDS (IMF) and the "B.o.p. book" (ECB).

Brazil Yes Compilation procedures and detailed definition of the components of data should be required given that procedures are not always identical. Deviations from basic methodological principles and procedures should be pointed out.

Australia DFAT Yes . Though this is a good idea you will have to address how the metadata is kept up to date.

Germany BBK In general terms the provision of metadata is a quite helpful tool for all users of data. Nonetheless we are a bit reluctant, since we have to deal with too many differing requests. It is a short way from recommendations to the collection of questionnaires. As an example, SIMSDI has created a lot of work and is still in good memory. Concerning SDDS we have just now changed the meta-data relatively seriously towards the DQAF-framework. Efforts should be harmonised between organisations, but not duplicated.

Denmark yes, provided that the issue is not the establishment of new systems of reporting, but rather the enhancement of the systems already in operation in IMF, ECB, Eurostat e.a. It seems that there are already too many systems at play

Tanzania Yes the meta data and examples will add clarity for both data users and compilers, especially because implementation of the manual would be gradual .

Turkey **Yes** Comments: Since MSITS generally requires very detailed information on services items, there is a need for metadata that explains countries practices for data compilation and deviations from MSITS. Metadata pages of countries would be important guidelines to understand the content of the figures and the data collection systems\_\_\_\_\_

Georgia **Yes The Meta data always provide very important additional information and help in better understanding the data**

HungaryNSO Yes International standards have not been followed:  
-Merchanting:"If the good is not resold by the merchant in the same accounting period as that in which it is purchased, then the merchanting transaction is recorded at the time of the sale of the good, in the later period." In this case we do not follow the Manual's recommendation, because the companies usually do not have proper registers of the stocks. So the merchandise exports data is based on the accounting system's information and the merchandise imports is an estimation given by the enterprises.  
-Government services: for practical reasons we do not handle it as a residual category, all services and goods are reported as government services. For data suppliers it would be huge effort to separate the different services by so many partner countries.  
-On-site processing: it is included in goods. In lot of cases the owner or the processing company doesn't know where is the next destination of the goods (they will be re-exported or sold to the processing economy or to a third country).

El Salvador Yes, as we know that the majority of countries have some deviations from the norms recommended.

USA MSITS already includes references to metadata, such as in paragraph 1.17. These references seem adequate but perhaps more could be done to highlight them

Guatemala No the degree of advancement in data compilation in services is too embryonic in our country, to be able to envisage this aspect

Australia ABS No. While the ABS agrees that metadata is important this level of detail should be referenced outside of MSITS. The introduction of discussions on current data produced, methods and

data sources has the potential to become outdated and raises questions on how this information can be effectively maintained. An alternative is to introduce a web-based facility to record metadata.

Hong Kong, China **Yes Metadata on trade in services would enhance international comparability of trade in services statistics.**

Poland NSO **Yes** The presentation of discrepancies between methods used while compiling data on trade in services would allow better interpretation of data and international comparisons\_

Mauritius **Yes** But, following international standards may not always be possible given the potential difficulties in measuring trade in services especially in developing countries. Some flexibility should be there.

Malta **Yes comparing with others how one collects data is always useful**

Thailand CB **Yes** There should be separate publications, apart from MSITS, on the compilation guideline and examples of applications

Thailand TM **Yes.** The metadata to be suggested shall be easy to understand and not overly burdensome to the compilers

Panama **Yes** We think such additions are necessary, because they will help ensure effective compilation, development, implementation and understanding of services issues and statistics.

Cote D'Ivoire **Yes** the production of metadata is useful for users, in the case where compilation practices differ from the methodological standards

Gabon **Yes** the data are more useful when accompanied by metadata, and the IMF accord them great importance in GDDS. This systematic production of metadata would surely contribute to improving the statistics.

Macedonia **Yes**

India **Yes**\_Metadata is already provided to IMF by the member countries as part of SDDS. It would be useful to have metadata. \_\_\_\_\_

France **No** The suggestion of noting cases where international standards have not been followed does not seem very appropriate to us; however, such information is already available for the BOP statistics.

Italy **Yes Provided the discussion of metadata is included in a more comprehensive consideration of quality standards.**

China **Yes** We recommend that updated MSITS should only discuss the need for metadata , while the EBOPS discuss the metadata for EBOPS, which is corresponding to the content of the new version of BPM.

Morocco **No** The responses are often well known and can be summarised as lack of resources, human or financial.

Mali **Yes** the production of metadata is useful for users, in the case where compilation practices differ from the methodological standards

Iraq CB **Yes**, there are exceptional cases for every country which require adopting definitions that are not the same as internationally recognized definitions, such as the definition of residency or economic zone.

Singapore **Yes, metadata will be useful. Most compilers already prepare and provide metadata for the national and external accounts in compliance of SDDS or GDDS.**

Chinese Taipei **Yes**, an addition of footnote for those specific cases where international standards have not been followed would facilitate international comparisons correctly.

*G.2: Having gone through the consultation document and questionnaire do you have any further issues, comments or suggestions regarding the update of MSITS?*

Response QG2

CARICOM There is need for an accompanying document providing practical guidelines for the compilation of these statistics. This has been attempted in some parts of the world including in the CARICOM Region and these efforts can be combined in provision and dissemination of these guidelines.

Pakistan CB The MSITS will clarify the different definitions of Service Variables. The data users and compilers can have more details on service data according to new internationally accepted standards

UNESCO MSITS needs to reflect the new version of CPC especially related to the education services which are in line with the UNESCO International Standard Classification of Education. The current EBOPS does not allow accurate measurement of cultural services. The responses here are intended to help improve this.

UK It would be helpful to address the following: (i) Provide a summary at the end of Chapter 2 and some preamble at the beginning of each chapter / annex to summarise the modes covered. Chapter 3 covers modes 1 and 2 and to a lesser extent mode 4, Chapter 4 covers mode 3 and an Annex is proposed for mode 4, but it is not always clear within the chapters that this is so; ii) It would also help to clarify how Chart 2 relates to Total output i.e. which modes feed into trade BoP data and whether the mode needs to be measured explicitly for trade purposes or as a supplementary measure. Modes 1 and 2 seem to be the prime measures of Import / Export BoP data, with modes 3 and 4 being supplementary, which also assists in validation, specification and improvement of modes 1 and 2. For example output from Foreign Affiliates will be measured as part of a country's normal survey collection of all businesses. Similarly for mode 4 for temporary foreign workers (although in this case self-employment and business sizes may mean they are not fully represented or covered in national surveys) (iii) There are areas which are at risk of double counting or misclassification in relation to domestic consumption and export/import data, for example mode 2, and between modes. It would be helpful to identify and discuss such issues

Peru It is important to create an annex on the boundaries between merchandise trade and services trade as in the cases of electricity, water , government services (embassies and consulates etc) among others. The explanation in Chapter 3 and 3.62 is not very clear.

Netherlands *It should be useful to provide more information about main international statistical manuals including links to appropriate standards of collection of statistical information. Some specific borderline issues should be more explained given the differences between SNA, BOP5 and MSITS*

Colombia It is a rather important effort and necessary to consolidate the whole framework of international trade in services

Iran Creating modifications, which could improve the information on business and commerce is a very demanding task and accordingly promoting statistical culture and relevant literature in professional and managerial levels of commerce and statistics are among the most important tasks. Determination of position of each country in order to determine all possible stages for development of each country in these fields is necessary to overcome structural and conceptual constraints. It cannot be materialized without mobilizing cooperation among decision makers and experts.

Spain We suggest that greater consideration be given to issues related to the compilation of necessary information.

Kirghizistan CB We wish that the revised MSITS would take into account all country comments and be easy for understanding and practical use

Bolivia Yes The MSITS revision should take into account changes stemming from the BPM5 revision

Uruguay *The questions were answered taking into account the theory, consequently what the Manuals should contain to assist compilers, but not necessarily reflecting the difficulties specific to Uruguay ,and in my experience surely for many other countries, to advance in the short-term to fully implement the Manual. Hay que tener en cuenta que culminada la implementación del MBP5 por la mayoría de los países especialmente en lo atinente a la balanza de pagos, persisten aún aspectos de éste por resolver en relación con la posición de inversión internacional. Asimismo hacia el 2008 está previsto la entrada en vigencia de la nueva revisión de este Manual que para los países y en función de sus compromisos asumidos (por ejemplo SDDS, GDDS, recomendaciones de misiones ROSC de evaluación de calidad) relegarán aún más en el tiempo la implementación de las recomendaciones del nuevo MECIS, al menos en los países en los cuales no existen registros confiables y robustos de las operaciones bancarias internacionales complementado por un sistema de encuestas...Uruguay por ejemplo no tiene ITRS y la información sobre comercio de servicios se obtiene de encuestas generalmente. Esto implica un esfuerzo muy fuerte a las empresas a los efectos de poder reportar conforme el MECIS (especialmente por la identificación de los modos) versus los requerimientos del MBP5.*

Kirghizistan NSO The proposition: 'to add to the manual (to the guide) an appendix with a sample of report for foreign trade in services with its 4 modes of supply split (these modes of services are: (1)from the territory of one country into the territory of any other country; (2) in the territory of one country to the service consumer of any other country; (3) by a service supplier of one country, through commercial presence in the territory of any other country; (4)by a service supplier of one Country, through presence of natural persons of a country in the territory of any other country).

Germany BMWI *We support the proposed mode 4 Annex/chapter*

Australia DFAT A particular problem for some compilers of trade in services, modes of supply and FATS statistics is confidentiality. I think the issue of confidentiality should be addressed in the manual. It is not much point compiling new data on trade in services, modes of supply and FATS, and then only to find out you can only publish a very limited set of data. Confidentiality issues should be addressed in the design stage with each new expansion of the survey data collected. Preferably the manual could set out best practices for confidentiality, and additional sources of information statistical agencies could look at to see how best to manage the confidentiality issues in publishing trade in services, modes of supply and FATS data.

Tanzania We would like to emphasize the need for the guide document on the usage of the manual

Georgia It would be desirable that the new textbook be written using a simpler language, with concentration on the main issues, with providing examples, (or as it is in the case of the BOP textbook, providing the examples in a separate book), it is also advisable the new book to be in accordance with the new BOP Textbook and the existing conceptual differences to be explained in detail.

HungaryNSO Certain international organizations collect services data from the representatives of a branch from different countries (like IATA in air transport). It would be welcomed to have a list of these organizations and the content of their data. In the future UN, IMF, WTO, OECD, Eurostat should make an effort to get relevant information from these international organizations and to make them public in order to avoid double reporting of companies or just to validate data from different countries.

El Salvador We emphasise that countries must be able to count on having the necessary legal base to collect the information. It is important to include this suggestion within the Manual and the same when the final manual is sent to different countries. In practice we have cases of enterprises, when we have requested additional data have chosen not to respond, which is possible since the firms are not obliged to provide the information.

Belarus CB [ In the current MSITS there is a definition of trade in services (box 1, page 8). It would be useful if the revised MSITS would include more clear definition of terms "exports of services" and "imports of services". In our view, it would be also useful to discuss definitions (uniform treatment) of these terms in the updated SNA93 and BPM ]

Sierra Leone Our general comment is that we do support the idea for the production of this document. We should however hasten to inform you that our present statistical system is not sophisticated enough to

provide the detailed information that may be required through this survey, We will however endeavor as a nation to bridge the gap between what we can afford and what will be required over time

Guatemala **It is important to begin work on a textbook for the Manual to contain concrete compilation examples as exist for the BPM and SNA.**

Australia ABS The ABS sees it as important that any updates to MSITS align with changes occurring in related fields, SNA, BPM and the CPC. The ABS would like greater guidance in the concordance between EBOPS and the GNS/W/120 where there is not a one to one relationship.

Viet NamNSO Concerning to the services classification: future EBOPS should be conformity with the ISIC 4. adopted by UN and kinks to CPC 2., which will be came in to force at beginning 2007. Also please the TFSITS should study coding system of EBOPS classification in order to show code level (digit level) from aggregated level (for example sector) to the disaggregated level (detail items) like other classifications.

Jordan CB An existence of compilation guide with the manual is preferred. More description for FISIM is required.

Malta **We commend you for the formidable task of producing such a manual**

Panama As regards Statistics of International Trade in Services, this Manual, together with the additions that are due to be made, meets our expectations, since Panama has an economy geared towards supplying services abroad.

Cote D'Ivoire Yes to improve the information and publicity regarding MSITS for statisticians and the public; - to consider supplementary actions and provide the means that would help countries, with less developed statistical systems, implement the recommendations

Gabon Yes. The countries have been widely consulted for this revision. It would be desirable that when it is updated the Manual is diffused through the same channels as the consultation and that a process to follow the implementation of the manual is put in place.

Macedonia The concept of Manual is good. In some cases, sources and method of data collection could be explained

India On FATS, the explanation as to how the collection of FATS indicators would be reconciled within the statistics of services trade, would be helpful for the users to understand the essence of collecting such information. The FATS analysis should be more focussed on collecting information on services activities of foreign affiliates.

Belgium CB **\_MSITS should not only be a theoretical manual, but should also pay attention to the definition of "Best practices".**

Philippines NSO The manual should be prepared as stand-alone manual such that references to other manuals, ie BPM5, 1993 SNA, should be clearly stated. The specific paragraphs should be consistently cited for ease of understanding.

Finland Forthcoming compilation guide should contain examples and information boxes on all the services items.

Morocco The implementation of these recommendations must require the establishment of a significant technical assistance programme in favour of countries with little financial and technical resource.

Yemen NSO Yes, we have the following comments: It is recommended that the annex include tables on the various service sectors, broken down by subsector and probable mode of delivery for each service, as this is very important for strict monitoring of trade in services by mode of delivery. Although the EBOPS is concise, from the practical point of view it is not precise with respect to breaking down services by sector. For example, if we wanted to study the variables related to trade in health and education services, we would discover that they are included in both Travel Services and Commercial Services. We therefore recommend that the services in EBOPS be redistributed by service sector.

Many services are essentially commercial services; therefore, the services included under Other Commercial Services (such as agricultural, mining, waste treatment, pollution removal, and research & development services) do not differ from other services (such as transport, education, and health services) as they are all commercial services (trade in services). The item Other Commercial Services should therefore be changed to Professional and Technical Services, which would include accounting, legal, consulting, advertising and market research, construction, engineering, technical, and real estate services. It is recommended that the annex include samples of tables to be published, with information on the partner country, mode of delivery, type of activity, service and institutional sector, and the services classified according to CPC, etc. It is recommended that the annex include an approved sample of the form[s] for collecting data on international trade in services and foreign direct investment, to serve as a reference in the process of collecting data.

It is recommended that the title of the manual be changed from “Manual on Statistics of International Trade in Services” to “Manual on Statistics of International Trade in Services and Foreign Direct Investment,” and that the manual be divided into the following sections: Section 1: Including all the definitions, concepts, and terms related to statistics of international trade in services and foreign direct investment. Section 2: Including all the instructions related to the process of collecting data on international trade in services, broken down into the principal sectors and subsectors, mode of delivery, sources of data, and collection methods. Section 3: Including all the instructions related to the process of collecting data on foreign direct investment, including inward and outward investment, foreign affiliates, and the various variables for which data are to be collected.

Section 4: Annexes, including the classifications used, breakdown of services by probable mode of delivery, samples of tables to be published, rates, methods of analysis, the form for collecting data on international trade in services and foreign direct investment, etc. An objective reorganization of the manual will allow the information to be presented in a more precise manner and facilitate understanding of all the detail concepts, as well as facilitating the training of staff working with statistics on international trade in services and foreign direct investment.

**Mali** Yes it is advisable to improve the information and communication regarding MSITS for statisticians and the public; - to consider supplementary actions and provide the means that would help countries, with less developed statistical systems, implement the recommendations; to define as far as possible clear methodologies adapted to the level of development of statistical systems in different countries.

**Iraq CB** 1. The difficulties faced by those who prepare the balance of payments in the services account are reflected in the continuous revision to update statistics of international trade in services. The preparers of the BOP should attend this type of meetings, especially in the developing world. In the developed world the services account is prepared in detail separately from the BOP statistics. At any rate, this manual is part of the Balance of Payments Manual issued by the IMF. 2. A special chapter should be developed on the statistical framework for measuring supply mode 4, given its importance in preparing the services account in the balance of payments.

**Pakistan NSO** The issues which have not been resolved yet may be discussed and finalised in the expert group meeting, particularly FATS, Mode 4 supply of service through presence of natural persons, the links between FDI and TSA, and the links between CPC and ISIC etc.

**Mexico** Yes. If it is the intention that the Manual provides support on practical compilation guidance, it would be helpful to expand this a little. In particular it would be helpful to describe in a general way the experience of the more advanced countries.

**Some countries made some general opening remarks which are recorded below:**

**Response**      **Opening remarks**

**Switzerland NSO**      At present Swiss data on international trade in services concern only transactions between residents and non-residents in the SNA/BPM5 context. We are therefore limited to responding to chapter 3, annexes and on general aspects of the MSITS. In this respect it seems vital that the revision of MSITS maintains full compatibility with the revisions to come of SNA and BPM5.

**Bahrein** The Statistics Division within the Agency has spent some time studying the different issues related to updating the MSITS. In fact, the Division does not have any major comments on the suggestions and recommendations that have been made with the exception of a minor one that related to EBOPS items that could be grouped together at a higher level (Question 3.1 in Chapter 3). Services may be classified into two broad categories, Financial Services and Non-Financial Services. Overall, all the recommendations are very realistic and reasonable.

**Germany BBK** **General comment: While trade negotiators may wish to have information available which is more closely linked to the CPC or W120 classification, the EBOPS presented in the Manual has been the maximum detail acceptable for data producers. In the context of changes to the reporting systems in Europe towards more direct reporting it will become even more difficult to collect detailed information which is reliable enough to be published.**

**New Zealand** Please find attached the document containing some answers and comments on the consultation document for the updating of MSITS. Unfortunately, due to other urgent work commitments, we have kept our response very brief. As we look into the issues thoroughly in future, we may be able to provide further comments and feedback. Please note that to date, Statistics New Zealand has managed to make very limited progress on the recommendation stipulated in MSITS. Some of the work that has been carried out includes: incorporating a number of the W120 services breakdowns (subsectors) into the Quarterly Trade in Services Survey (Survey that collects quarterly data for the trade in Commercial services (services other than Travel, Transportation, insurance and Government services); and undertaking an investigation into New Zealand's inward foreign affiliate trade statistics using existing data sources; SNZ has been working with staff from New Zealand representatives on GATs, working through issues of data requirements for trade negotiations. SNZ's current objectives are to provide good quality services data by partner country and by type of services. While data by mode of supply is deemed to be important for trade negotiations, it is not seen as being a high priority for now.

**Australia ABS** The ABS recognises that there is currently a significant amount of work underway concerned with updating a range of international standards with a goal of greater alignment between the standards. The ABS is currently contributing to the revisions of the System of National Accounts (SNA), Balance of Payments Manual (BPM) and the Benchmark Definition of Foreign Direct Investment (BMD). The ABS believes that updating MSITS should be done in the context of these revisions and should have alignment between MSITS and the other standards as a goal.

The ABS believes that SNA, BPM and BMD should provide the conceptual framework for statistics on international trade in services. Beyond this, the ABS recognises that there is a need, in order to inform analysis and policy formulation, for statistics that go beyond those compiled within the SNA/BPM framework. The ABS considers that MSITS should be positioned as a guide for further analysis, extending the framework rather than presenting alternatives. In addition, MSITS should address practical compilation issues associated with these analytical presentations.

In particular, the ABS position is that MSITS should focus on Foreign Affiliate Statistics (FAS) and Mode of Supply (recognising that these presentations impact on merchandise trade as well as trade in services). In doing this, overlap between MSITS and MEGI will need to be carefully managed. In this context, the ABS has been grappling with the difficulties associated with these presentations and offers its current thinking: (See Annex 1 Note on Globalisation) The concepts of ownership and control for these statistics should be defined by reference to BPM/BMD. The BMD should also be used as the reference for indirect control and ultimate beneficial owner.

There are numerous references to EBOPS in MSITS, and there are questions on EBOPS in the questionnaire that has been circulated. Given the importance of the detail provided by EBOPS and its endorsement in MSITS by the IMF and the UN, the ABS would like to see EBOPS become the standard within the BPM. The ABS considers it essential that links are maintained between EBOPS and CPC and that the links are taken into account in any revisions to EBOPS. The ABS believes that there is room for improvement to EBOPS, providing more detail for computer services (eg, software development, programming and implementation; packaged software; web hosting services), royalties (eg, industrial processes; franchise and similar rights; computer software; music) and separating architecture, engineering, other technical services, agriculture, mining and on-site processing. Repair on goods should also be incorporated in EBOPS. With the links between EBOPS and CPC, alternative presentations could



be supported (eg, transport, tourism, computing, education). The ABS has some experience with collecting data on some of these detailed services, having recently compiled an ICT satellite account.

Thailand CB NESDB comment - We would like to propose some aspects of TIS that need to be included in the new manual as follows: 1. Service prices. They get data on balance of payments from the Bank of Thailand (BOT) to estimate Gross Domestic Product (GDP) and we use the relevant prices to deflate the current price value of service export and import into the constant price value. Therefore, it will be useful to estimate more precisely if you include a method for estimating service export and import prices in the new manual. 2. Detailed data -They also need more detailed and more frequency data on trade in services such as a breakdown of travel services into expenditure on food and beverage, shopping, accommodation and other travel expenditure so that we can use the appropriate price indices. 3. Data collection and compilation method. They would like to learn how to capture the following transactions into our statistics both data collection and compilation method - compensation of employees of nonresidents, license fees and patents, E-commerce, ICT, transfer pricing in the case of transnational corporations

Thailand TM DBDcomment - Gap of statistical compilation of Department of Business Development are as follows: 1. TSIC (Thailand Standard Industrial Classification) is too broad, it should be more specific. 2. Financial Statements data - 1 year behind schedule, not match with registration database which automatically up-to-date. (The database of financial statements is not up-to-date as the registration database) - Incomplete because registered firms submit financial statement approximately 60 percents each year.

Finland The compilation of international trade in services and FATS statistics is in the responsibility of Statistics Finland. Therefore the views of the Bank of Finland are expressed as balance of payments compilers and some of the questions are not commented because of the lack of this division in responsibilities.

Russia NSO For Chapters 1,2,4 Issues which relate to the chapters 1,2,4 may be discussed in detail by the Russian party only after developing of methodological recommendations for arranging of monitoring of statistics on international trade in service (by main aggregate groups) depending on service rendering methods according to the Manual on Statistics of International Trade in Services. Development of the mentioned above methodological recommendations is provided for by draft the Federal task program for developing of state statistics of Russia in 2007-2011. At the same time we would consider as appropriate introducing into acting Manual on Statistics of International Trade in Services in Section 5. Insurance services - examples for calculating of insurance services (similar to quantitative assessment of construction services (page 48). Simultaneously we would like to inform you that for taking into account of the propositions and recommendations for developing of the statistics on International Trade in Services from the Russian party you should send the Questionnaire to the Bank of Russia for consideration.

## **Foreign Affiliates Statistics**

### *ABS Experience and Plans*

#### **Background**

There has been demand expressed for data on economic activities of Australian controlled companies in other countries, foreign-controlled companies in Australia and Australian resident parents of foreign affiliates beyond that compiled within the balance of payments framework.

Policy agencies indicate that the data are required to inform policy making in a wide range of areas relating to the promotion of trade and investment, the reduction of trade barriers, and the role of Australian-controlled companies overseas in the provision of goods and services (as opposed to exporting from Australia) and vice-versa.

The ABS has compiled conventional economic indicators for foreign trade and foreign direct investment within the framework defined in the *Balance of Payments Manual (BOP)*, (5th edition) for many years. While these statistics provide some relevant information, the ABS has not regularly compiled statistics on the economic activities of Australian or foreign controlled companies that are not included in the BOP framework. In recent years, the ABS has conducted a series of case studies to synthesise such data from related data sources. A list of publications reporting this work is provided at Appendix 1.

From the 1960s to the 1980s, the ABS conducted a number of foreign participation studies measuring foreign ownership and control of Australian economic activity. These studies examined new capital expenditure by foreign-owned multinational enterprises (MNEs), the economic activity of foreign-owned MNEs in the mining, manufacturing and information technology industries, and research and development activities of foreign-owned MNEs in Australia.

In recent years, the ABS has embarked on a series of case studies to synthesise activity data for MNEs from other related data sources. One such study covered the economic activities of identified majority foreign-owned businesses in the Australian economy, covering employing private sector businesses in all industries except agriculture, forestry and fishing. The study provided a range of globalisation indicators identified in *Manual on Economic Globalisation Indicators (MEGI)* and some indicators for inward Foreign Affiliates Trade Statistics, namely: number of businesses; employment; value added; gross fixed capital formation; gross operating surplus; and total assets. A list of publications reporting this work is provided at Appendix 1.

The latest compilation by the ABS in this field is of outwards Foreign Affiliates Statistics (FAS). The data were collected via the Survey of Outward Foreign Affiliates Trade (SOFAT), conducted in 2003. The conceptual framework within which SOFAT was collected and compiled aligned as closely as possible to that articulated in the *Manual on Statistics of International Trade in Services (MSITS)*. The survey collected information on the industry, sales of goods and services and employment of foreign affiliates of Australian resident enterprises and was designed to identify all Australian resident enterprise groups with affiliates abroad, regardless of control. The scope of this survey is limited and the results did not fully meet the needs of potential users

## **ABS Proposal**

A strategy, drawing on lessons learnt so far in compiling globalisation statistics, is being developed within the limited resources allocated to these statistics in the current period. Consultation with external users is proposed within a demand/ supply/ gaps framework as well as a search of literature, mainly from overseas statistical offices, relating to this quickly developing topic.

Some work is being done on the conceptual underpinnings of FAS/ globalisation statistics. The work focuses on treating the established BPM/ SNA framework as the core reference point for the recording of economic activity for an economic territory. The units defined in this framework for two economic territories (the residents of each economic territory), could be regrouped from a residence-based grouping (used for BOP) into control-based groups, using the same units, concepts and rules. This is broadly consistent with the approach outlined in MSITS and draws on the ideas of the US National Academy of Sciences (NAS).

Data by mode of supply include flows from both the residence-based grouping and the control-based grouping and can be derived once the two views are compiled. Appendix 2 provides a discussion of this approach.

The draft strategy includes the establishment of the control-based framework as the core components of FAS. In practice, the production of control-based statistics may be achieved by means of a simplified survey of foreign affiliates or resident parent companies and the derivation of data on Australian resident affiliates from existing ABS sources.

A prerequisite would be the building up of information on the foreign control characteristics of units to minimise collection costs, respondent burden and follow up costs. This could be achieved by the inclusion of foreign control questions on a number of economic survey forms and the development of infrastructure to store foreign characteristic information.

## Appendix 1: List of ABS Globalisation Publications

The following publications are available from ABS Bookshops and on the ABS website:

- *Globalisation and Foreign Investment* special article in *Australian Mining Industry, 1998-99* (cat. no. 8414.0)
- *Economic Activity of Foreign-Owned Businesses in Australia, 2000-01* (cat. no.5494.0)
- *Ownership Characteristics of Businesses Undertaking Capital Expenditure in Australia, 1998-99*, published in *Australian Economic Indicators, July 2001* (cat. no. 1350.0)
- *Foreign Ownership Characteristics of Information Technology Businesses*, published in *Australian Economic Indicators, March 2002 and March 2003* (cat.no. 1350.0)
- *Foreign Ownership Characteristics of Businesses Undertaking Research and Development Activity in Australia*, published in *Australian Economic Indicators, August 2002* (cat. no. 1350.0)
- *Foreign Ownership Characteristics of Importers and Exporters, Australia, 2002-03* (cat. no. 5496.0.55.001)
- *Australian Outward Foreign Affiliates Trade, 2002-03, Experimental Results*, published in *International Trade in Goods and Services, Australia, May 2004* (cat. no. 5368.0)
- *Balance of Payments and International Investment Position, Australia* (cat. No. 5302.0) – issued quarterly
- *International Trade in Goods and Services, Australia*, (cat. no. 5368.0) – issued monthly

## Appendix 2: Control-based Conceptual Framework

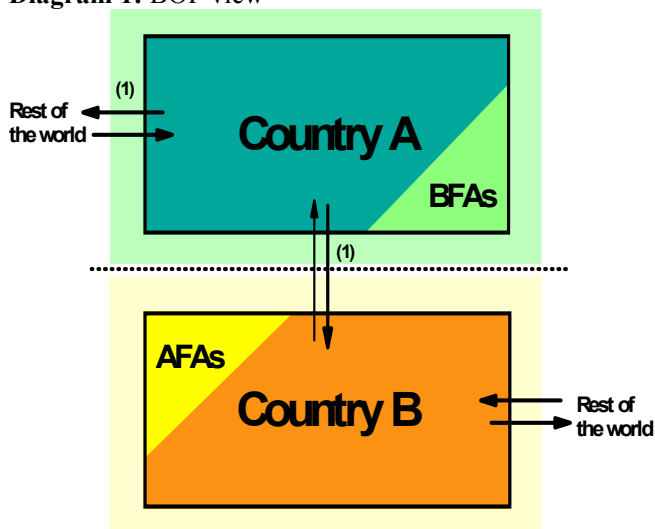
Some work is being done on the conceptual underpinnings of FAS/ globalisation statistics. The work focuses on treating the established BPM/ SNA framework as the core reference point for the recording of economic activity for an economic territory. The units defined in this framework for two economic territories (the residents of each economic territory), could be regrouped from a residence-based grouping (used for BOP) into control-based groups, using the same units, concepts and rules. This is broadly consistent with the approach outlined in MSITS and draws on the ideas of the US National Academy of Sciences (NAS).

### Residence-Based Trade (BOP framework)

Balance of payments (BOP) statistics measure transactions between residents and non-residents of an economic territory. Residence is a key concept based on the transactor's centre of economic interest being within an economic territory.

Diagram 1 below is a simplified model of the transactions measured in BOP between two economic territories, Country A and Country B. Economic transactions measured between Country A and Country B include those between affiliates of Country A (resident in Country A) and Country A and vice versa.

Diagram 1: BOP view

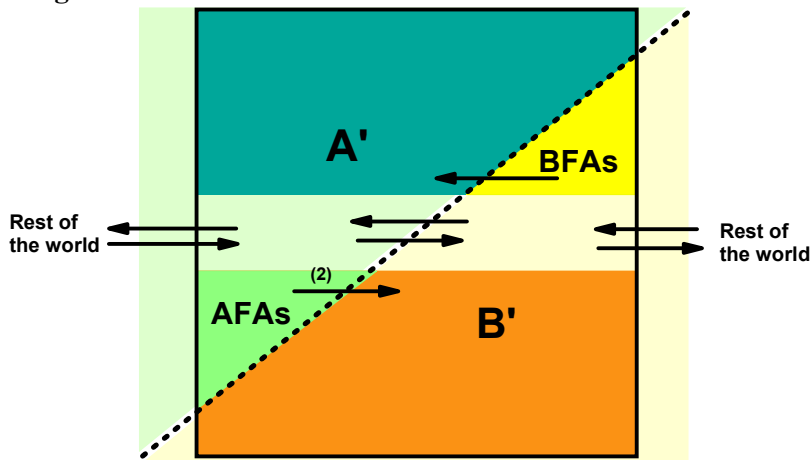


Note: AFAs refers to foreign affiliates of Country A, BFAs refers to foreign affiliates of Country B.

## Control-Based Trade (FAS Framework)

The residents of the economic territories defined for BOP purposes can be regrouped from a residence-based grouping into a control-based grouping using the same units, concepts and rules. This is broadly consistent with the approach outlined in MSITS. As illustrated in Diagram 2, this groups together units under common control. The new group A' does not include foreign affiliates of Country B in Country A and includes foreign affiliates of Country B in Country A.

**Diagram 2:** Control view



Note: AFAs refers to foreign affiliates of Country A, BFAs refers to foreign affiliates of Country B as illustrated in Diagram 1.

The foreign affiliates of Country A (AFAs) are part of A' and trade between them and the residents of A' is excluded from the control-based flows. Trade between these affiliates and residents of B' is included.

Grouping units in this way to create a group of units based on control allows complete and symmetrical data to be compiled for all transactions.

## Mode of Supply

Data by mode of supply can be approximated<sup>1</sup> by flows from both the residence-based grouping and the control-based grouping. Referring to diagram 1, from country A's perspective, flow 1 represents mode 1 exports, mode 2 exports and part of mode 4 exports. Supply via mode 3, commercial presence, is derived from the control view shown in diagram 2. Flow 2 represents mode 3 supply by Country A.

While mode of supply data are useful for regulatory purposes, they can be misleading if they are seen as an alternative view of the balance of payments. Including the sales by foreign affiliates as exports without including imports from resident foreign affiliates is asymmetrical and leads to an illusory improvement in trade balances. The ABS believes that the presentation of a full set of symmetrical control-based data is needed to present a balanced picture. This set can include both goods and services data.

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<sup>1</sup> The transactors in the GATS mode of supply framework are defined in terms similar to those defined as residents in the BPM. However, the transactors in the GATS framework are defined in terms of nationality rather than residence. The different conceptual basis means that the flows from the residence-based grouping could differ from nationality-based estimates.