



GENERAL STATISTICS OFFICE OF VIETNAM

GSO



MULTILATERAL TRADE ASSISTANCE PROJECT

MUTRAP

**JOINT REPORT ON
“ASSISTANCE TO ESTABLISH THE STATISTICAL SYSTEM FOR
TRADE IN SERVICE in VIETNAM – SERV- 5”**

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Foreword

This report was implemented under the component "Support to building up international trade in service system of Vietnam" (SERV-5) of the "Multilateral Trade Assistance Project - Phase II" (Mutrap II), which is conducted from 2005-2008 by the Ministry of Trade of Vietnam and funded by the European Union.

Objective of SERV-5 is to provide technical assistance to Vietnam to establish a statistical system for international trade in services that will be in line with international standards and appropriate with the Vietnamese practices as well as satisfying data requirements from users in domestic and abroad. The necessary result of this component is *"Recommendation to a new comprehensive statistical system for trade in services in Vietnam with an effective reporting and implementation mechanism"*

SERV - 5 was coordinated by local consultants from GSO, SBV, MOT, Foreign Trade University, Maritime Corporation, and EU consultants. Because of the study content was divided into two phases, the joining of consultants is also different for each phase:

Phase I: conducted from quarter IV/2005 to quarter II/2006 by the national consultants included Mrs. Tran Thi Hang, Mrs. Nguyen Thi Lien, Mrs. Le Thi Minh Thuy, Mr. Nguyen Bich Lam, Mr. Le Hoang Lan (GSO), Ms. Nguyen Thi Hong (SBV), Mr. Duong Duy Hung (MoT), Ms. Nguyen Thi Mo (FTU), Mr. Bui Huu Anh (MC), coordinated with the EU consultants: Mr. Julian Arkell and Dr. Dietrich Barth.

Phase II: conducted from quarter III/2006 to quarter I/2007 by the national consultants of the GSO and SBV, coordinated with Mr. Julian Arkell.

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ACRONYMS

BPM5	Balance of Payment 5 th Edition of the IMF
CPC 1.0	Central Product Classification, Version 1.0
EBOPS	Extended Balance of Payment Service Classification
EUROSTAT	Statistical Office of the European Communities
FATS	Foreign Affiliates Trade in Services statistics
FDI	Foreign Direct Investment
FISIM	Financial Intermediation Services Indirectly Measured
GATS	General Agreement on Trade in Services
IMF	International Monetary Fund
ISIC	International Standard Industrial Classification of All Economic Activities, Revision 3
OECD	Organization for Economic Co-Operation and Development
PCPC	Provisional Central Product Classification
SNA	System of National Account
TSA	Tourism Satellite Account: Recommended Methodological Framework
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organization
BD₃	third edition of the OECD Benchmark Definition of Foreign Direct Investment

EXECUTIVE SUMMARY

Background

This activity forms part of the wider four-year Multilateral Trade Assistance Project Vietnam II (Mutrap II) which is conducted from 2005 to 2008. It is a joint project, co-funded by the European Union and the Ministry of Trade of Vietnam, and aims at assisting Vietnam in its accession to the World Trade Organisation, in its membership in regional and bilateral trade agreements, and meeting the trade-related obligations and commitments resulting from those agreements.

Within that framework, the purpose of the Mutrap II SERV-5 activity is to provide technical assistance to Vietnam to establish an appropriate statistical system for trade in services that will be in line with international standards and best practices. At the same time, the system must take full account of the particular situation and needs of Vietnam. Establishing such a statistical system will also help Vietnam to implement its national strategy for the development of the country's service sector and to improve the process of national economic planning.

Under the SERV5, one of the main outputs are expected to deliver is "A report proposing a new comprehensive statistical system for trade in services in Vietnam with an effective reporting and implementation mechanism".

The Government of Vietnam - Ministry of Planning and Investment - and the General Statistics Office (GSO) had carried out a UNDP-supported technical assistance project on trade in services statistics in Vietnam¹.

The results of the UNDP project are important for determining the statistical work that needs to be done at both the central and the local level, in order to meet the ever increasing data demand from different users. The Terms of Reference for the present project are required to take into account the key recommendations resulting from the UNDP project in relation to statistical classification, methodology and organisation of an appropriate statistical system.

Establishing a new statistical system for international trade in services is a difficult and lengthy, step-by step process. It will take a few years to devise and carry out the business surveys that are required to enable the GSO to compile and analyse data on the large number of heterogeneous service sectors.

Every modern economy needs a comprehensive system for statistics on trade in services. Establishing such a system in Vietnam is essential for many reasons of domestic and foreign trade policy. Comprehensive, timely and reliable statistics on trade in services, based on an appropriate and analytically oriented methodology, are indispensable tools for economic analysis and policy making.

Content of the report

Over the past two decades, services have become increasingly important for the economies of most countries of the world and for world trade. Over many years, world services trade had grown more quickly than trade in goods.

¹ MPI-UNDP-Project VIE/02/009, Capacity Strengthening to manage and promote trade in services in Vietnam in the context of integration, Report on Trade in Services Statistics in Vietnam, Hanoi, December 2004

Vietnam began autonomously in the late 90's to liberalise certain service sectors. Some degree of market access was granted to foreign suppliers of legal consultancy, auditing, engineering, architecture, telecommunications, banking, insurance and securities services, although liberalisation continues to be held up by strict market access limitations and some discrimination against foreign services suppliers.

Vietnam's National Development Plan for 1996-2000 and the Development Plan for 2001-2010 issued by the 9th Communist Party Congress gave a stronger focus on the services sector, the latter setting ambitious targets of an average annual growth rate of 7-8 percent and a targeted services share of 42-43 per cent in GDP and 26-27 per cent in employment, to be reached in 2010.

In the context of globalization on international trade in services, statistics on this is playing an important role for multipurposes. The *Manual on Statistics of International Trade in Services* (the *Manual*) is designed to establish a comprehensive system of international trade in services statistics and to devise ways of classifying and collecting data on this area of trade. It serves as a guide to compilers of statistics and it aims at facilitating economic analysis and policy making as well as negotiations on trade in services. The *Manual* was developed by an international task force consisting of members from the European Commission (Eurostat), IMF, OECD, UNSD, UNCTAD and WTO. It has been recommended for use by all UN Members and is supported by these organisations. It is significant that a phased approach is explicitly foreseen which allows countries to introduce the system in line with their priorities and capabilities.

The IMF Balance of Payments Manual 5th edition, 1993, establishes the international statistical system for balance of payments purposes. It summarises economic transactions of one country with the rest of the world. It covers balance of payments transactions between residents and non-residents relating to goods, services and capital.

The classification for services trade statistics in the *Manual* follows international standards. It disaggregates the IMF Balance of Payments list of services products traded cross borders. It is also compatible with SNA and merchandise statistics and with FDI statistics.

In part I, the report presents the rationale for a system of international trade in service statistics in Vietnam, including the role of services in world trade and in Vietnam, international standards on statistics and the current situation on trade in services statistics in Vietnam and the need for a statistical framework

Part II of the report contains the most important one referring to definitive recommendations on the statistical system, includes statistical methodology, organizing the information flows and developing statistical surveys

Consultations with stakeholders conducted by the National and EU Consultants revealed that the statistical methodology of international trade inservices should be issued suitably with current situations and the statistical system should be organized based on co-ordination among agencies and enterprises.

The GSO organised meetings with various GSO departments as necessary to ensure full consultation was maintained in relation to the various issues that arose during the two missions of the EU Experts. Officials consulted were at the Director, Deputy Director and Expert levels. There were many occasions when the Head of the Balance of Payments Division, Monetary Policy Department, SBV, was present at meetings and when a full interchange on issues arising was conducted. The First Secretary at the EU Delegation in Hanoi was briefed on the project, including on the extent of consultations with stakeholders, which the EU Expert felt had been satisfactory.

This part presents key recommendations on statistical indicators should be collected and reported for each services sector respectively based on the overall framework sets out by the *Manual*. This should be followed by the statistical system in Vietnam in relation to services trade and FATS data compilation. This part also referring to the special sector surveys should be designed for the major six priority service sectors. They must be adapted urgently in order to identify their exports and imports to partner countries and trade between affiliated enterprises. These sectors are: transport by sea and air, tourist and visitor expenditure, telecommunications, insurance and banking and other financial services.

It has been agreed that data be compiled on the 11 services sectors of BPM5, which is to be achieved over the next three years. The further disaggregation of this data by the major partner countries and EU is to be achieved over the next five years.

It is strongly recommended that a mechanism to maintain a single Central Business Register be worked out by the GSO in close coordination with other relevant agencies. This register would be classified under VSIC 2007

Based on the recommendations, some test activities were implemented under framework of SERV-5. Part III presents the results thereof with positive assessments. The first draft of Vietnamese Service Classification on International Trade was prepared by National and EU Consultants; Sample survey on Insurance and Freight of imported goods in 2005; Sample Survey on Foreign Visitors' Expenditure; Annual Enterprise Survey with supplementing of service export/import item in the questionnaire. The data are used for the purposes of compiling the national accounts, industry statistics and statistics on specific sectors, to supply the needs of government agencies and to provide sector data on an internationally comparable basis. Nearly all twelve inward FATS variables can be obtained from the Annual Enterprise Survey data. The only further development of the AES reporting form needed is to collect the exports and imports of foreign affiliates by EBOPS categories and partner countries. The EU Experts designed an inward FATS survey form for the GSO to assist thinking on the best way to collect the data.

Based on the present status of Vietnam's statistic, on international standards and experiences, the report proposes some priority action for the next few years and further aid technical assistance, which presents in part IV. The prospective workload on surveys adds up to a considerable increase in prospect for the GSO. Work has to be undertaken for 3 key targets:

- Implementation of nine recommendations presented in part III with high priority level for recommendations number 1, 2, 3, 4, 5 and 9
- Focusing on 6 priority service sectors by the Government, by ASEAN and key complex sectors
- Supplying the better data based on the survey conduction on international trade in services, probably including undertaking a separate EBOPS and FATS surveys

There will be the need for the government to allocate increased resources to the GSO and for statisticians in the relevant Ministries so that the statistical system can be further developed.

There will be need for the International Donor aid for the following contents:

1. Support for the improvement of trade in services statistics system
 - Design and Carry out a benchmark census in 2008 or 2009: set up the plan, questionnaire design for different service sectors, reporting instruction, conducting, data processing and compiling

- Strengthen data collection through the Annual Enterprises Survey for next years based on the results of the benchmark census and to improve imputation/estimation approach for monthly or quarterly data
 - Surveys of complex service sectors
2. Design and establish a central register of enterprises with updating mechanism frequently involving close cooperation between relating agencies (MPI, GSO, MOF)
 3. Improving FDI statistics and developing FATS
 4. Setting up the metadata and database of International Trade in Services
 5. Training on ITS for GSO, PSO and other Ministries/agencies/enterprises

Above technical assistance and further aid can be implemented through the ways:

- Visits by Consultants from EU members or other countries (United States or Australia) into Vietnam for discussion with National consultants or training on detailed issues
- Attachments by GSO staffs in EU countries or others with funding by donor aid for them. They will have opportunity to study and learn experiences from colleagues in order to apply in Vietnam suitably.
- Additional funding for pilot surveys of complex service sectors

The objective of the SERV-5 study was primarily to propose “a new comprehensive statistical system for trade in services in Vietnam with an effective reporting and implementation mechanism”. This involved a great deal of consultation with the many stakeholders and study of the existing classifications used, the statistical system and proposed improvements and further developments.

It was readily agreed that for statistics on trade in services Vietnam should follow international standards as recommended in The Manual on Statistics of International Trade in Services which has two ‘Pillars’ for the collection and compilation of data on (a) the balance of payments and (b) foreign affiliates with over 50% foreign ownership – the so-called FATS variables.

The Government of Vietnam has laid down a standard system for the General Statistics Office to coordinate, collect and report on data on the whole economy, and had identified six major service sectors that data were required on as the highest priority. The focus was therefore mainly on this objective.

The GSO is professionally organised and has long experience of conducting censuses and surveys based on sound sampling methodologies.

The new directive on statistics required commercial entities, both SOEs and in the private sector, to comply with official requests to provide information and gave powers to the GSO to coordinate data collection by all government agencies, including the SBV. Certain sectoral aspects within the overall legal framework still need to be tightened up to underpin data collection in the new formats.

In summary, the new and comprehensive statistical system for international trade in services for Vietnam is assured by their following the UN approved recommendations of the *Manual*, with its full set of indicators. The legal basis and the GSO’s responsibilities for coordination with the various ministries and agencies, their statutory powers and professionalism ensure the eventual effective implementation, reporting and dissemination. Even against this background, though, it will take some years to implement the new system in full.

With a GSO divisional deputy director poised to chair the ASEAN Working Group on Statistics of International Trade in Services, Vietnam will be at the centre of a regional move towards the

harmonisation of classifications, survey methodologies, questionnaire design and sectoral coverage, to which it will contribute strongly and from which it will benefit positively.

PART I
THE RATIONALE FOR A SYSTEM OF INTERNATIONAL TRADE IN SERVICE
STATISTICS IN VIETNAM

SECTION 1
THE ROLE OF SERVICES IN WORLD TRADE AND IN VIETNAM

1.1 World services trade

Over the past two decades, services have become increasingly important for the economies of most countries of the world and for world trade. Over many years, world services trade grew quicker than trade in goods. This trend has changed more recently, as in the period 2000-2004, exports of goods and services both grew at the same annual rate of 9 per cent. In 2004, world exports of commercial services for the first time surpassed the USD 2 trillion level, compared to merchandise exports of USD 8.9 trillion. The growing importance of services has been accompanied by an expansion of the share of commercial services in total world exports of goods and services from 15 per cent to 19 per cent in 2004.² Despite this steady growth, the share of services in world trade has always been smaller than its share in world production. Services now represent more than 60 per cent of world GDP and 30 per cent of global employment. Thus, the importance of services in the world economy is not fully reflected in the share of world trade. One of the reasons is the statistical under-representation of services which will be discussed in more detail below.

It should be noted that developing countries are already playing an important role in services trade. The list of the 40 leading exporters of services of the world³ includes 13 developing countries (China, Hong Kong China, Korea, India, Singapore, Chinese Taipei, Turkey, Thailand, Malaysia, Egypt, Mexico, Brazil and South Africa). Together, they accounted for 18 per cent of world services exports in 2004.

1.2 Vietnam's policies for services

Vietnam began autonomously in the late 90's to liberalise certain service sectors. Some degree of market access was granted to foreign suppliers of legal consultancy, auditing, engineering, architecture, telecommunications, banking, insurance and securities services, although liberalisation continues to be held up by strict market access limitations and discrimination against foreign service suppliers.

In the framework of Vietnam's bilateral and regional trade agreements, the country has also undertaken important steps towards liberalisation of trade in services which have paved some of the way towards multilateral trade liberalisation in the WTO framework. Most relevant are the Vietnam-US Bilateral Trade Agreement of 2002 and the ASEAN Framework Agreement on Services of 1995. However up to now, the growth rate of the service sector is lower than target, the service products are poor, lack of legal bases for developing services activities. The main reasons caused by the limitation of understanding from Ministries/agencies in central and provincial levels. The strategy and solution for economic development have more focused on the agriculture, manufacturing industries and goods exports than services industries. So the rate of capital

² WTO, International Trade Statistics 2005, Geneva 2005, p. 2

³ WTO International Trade Statistics 2005, Geneva 2005, table I.7

investment for service sectors is low, the attract foreign investment for this area were not attached. Beside one of the important reason lead to this current situation is the lack of statistics of services generally and international trade in services particularly

In light of the challenges and opportunities related to Vietnam's WTO accession, certain features of its services sector indicate weaknesses and needs in terms of policy-making, e.g. comparably low growth rates, non-availability and inefficiency of many kinds of modern services, and an inadequate legal environment and regulatory instruments for services markets. Most of these weaknesses are attributed mainly to the low degree of awareness by ministries, administrative branches and local authorities about the role of services in the economy. Other issues are the lack of practical development measures, poor management and administrative experience, the shortage of data for the development of appropriate plans and policies, and the failure to gain up-to-date information on practical operations of modern services markets.

Vietnam's National Development Plan for 1996-2000 and the Development Plan for 2001-2010 issued by the 9th Communist Party Congress gave a stronger focus on the services sector, the latter setting ambitious targets of an average annual growth rate of 7-8 percent and a targeted services share of 42-43 per cent in GDP and 26-27 per cent in employment, to be reached in 2010.

1.3 The status of service industries and enterprises in Vietnam

In recent years, Vietnam achieved high economic growth rates, compared to other countries in the region and in the world. The structure of the economy has changed dramatically. Much of this was due to the growth of the services sector, the contribution of which to GDP increased from 20 per cent in the 1990s to 39-41 per cent in the period 2000 to 2005. The contribution of services sectors to GDP was as follows:

Table 1 – Contribution by GDP of each service industry in service sector (current prices) – per cent

	2001	2002	2003	2004	2005
Total GDP contribution of services	100.0	100.0	100.0	100.0	100.0
Wholesale and retail trade, repair of motor vehicles, motorcycles and personal household goods	36.46	36.67	35.74	35.84	35.66
Hotels and restaurants	8.29	8.32	7.93	8.23	9.19
Transport, storage and communication	10.45	10.23	10.61	11.17	11.48
Financial intermediation	4.71	4.74	4.66	4.68	4.72
Scientific activities and technology	1.42	1.46	1.59	1.59	1.64
Real estate, rental and business activities	11.61	11.86	11.71	11.51	10.54
Public administration and defence, compulsory social security	6.88	6.71	7.16	7.01	7.22
Education and training	8.74	8.79	9.18	8.58	8.45
Health and social activities	3.45	3.41	3.80	3.99	3.89
Recreational, cultural, and sporting activities	1.51	1.43	1.45	1.36	1.3
Activities of party and of mass organizations	0.35	0.35	0.33	0.33	0.33
Community, social and personal service activities	5.60	5.54	5.36	5.28	5.11
Private households with employed persons	0.53	0.50	0.48	0.45	0.45

Source: GSO's Statistical Yearbook

Following the Doi Moi programme of economic reform which was launched in 1986, the growth rate of services was higher than that of other industries until 1996 (41-42%). The services share in GDP has declined since 2000, due to the rapid growth of mining and manufacturing activities (39% for 2003 and 38% for 2004 and 2005).

The number of service enterprises has also increased, but job creation in the sector has been slower than in the mining and manufacturing industries. About 62.2% of Vietnam's enterprises are now in the services sector (with the highest proportion being in wholesale and retail distribution). However, the share in employment is 26,3%.

Table 2 - Number of enterprises

	31/12/02	31/12/03	31/12/04	31/12/05
Total number of enterprises	62,908	72,012	91,755	113,352
of which: service enterprises	35,826	41,690	53,868	70,472
share (%)	56.9	57.9	58.7	62.2
Total employment (thousands)	4,657	5,175	5,770	6,244
of which: service enterprises	1,152	1,254	1,413	1,642
share (%)	24.7	24.2	24.5	26.3

Source: GSO Annual Enterprise Survey 2003 – 2005

Vietnam's enterprises are mainly small, especially in the service sector. Half of the enterprises (51.3%) have less than 10 employees.

Table 3 - Size of enterprises by number of employees - per cent

	31/12/02	31/12/03	31/12/04	31/12/05
Enterprises with less than 10 employees	48.0	46.6	48.4	51.3
Enterprises with 10 - 49 employees	32.9	35.0	35.4	34.4
Enterprises with over 50 employees	19.0	18.4	16.2	14.3

Source: GSO Annual Enterprise Survey 2003 – 2005

The Government has set targets of services development for the planning period 2006-2010. Overall, the service sector is planned to grow by 29 per cent per year. Priority is given to certain core sectors: post and telecommunications, 25 per cent per year; financial services (banking), 22 per cent per year; and maritime transport, 22 per cent per year. In detail, the targets are as follows:

Vietnam's international trade in services (imports and exports), has been estimated at USD 8.7 billion in 2005 and USD 10.2 billion in 2006. These figures are likely to be significant underestimates, as they are in many countries.

WTO statistics show that over the past decade, Vietnam's exports of commercial services grew from USD 1.3 billion (in 1994) to USD 3.8 billion (in 2003). This means that service exports grew by almost a factor of three in this period, although from a low starting level. However, unlike the world trend, Vietnam's growth in service exports was much slower than that of merchandise exports. Average growth in service exports from 1998 to 2006 increased 8,7%, from USD 2.6 billion (1998) to USD 5.1 billion (2006) while in merchandise exports was 20% from USD 9.4 billion (1998) to USD 39.6 billion (2006). Services exports account for 14 per cent of Vietnam's total exports of goods and services (2003) and decreased to 11% (2006), thus lagging behind the world average of almost 20 per cent. Vietnam's services trade is in deficit, ie USD 22 million in 2006, but the deficit in merchandise trade is far higher (USD 5.5 billion).

According to the most recent figures which were published by the GSO 2006, Vietnam's services exports in 2006 amounted to USD 5.1 billion, 1.1 billion higher than the country's annual export target. Services exports are now expected to reach an average growth rate of 16.3 per cent over the 2006-10 period. This would earn the country USD 12 billion by 2010.

The Ministry of Trade anticipates that insurance, post and telecommunications, finance and waterway transport will be the industries with the highest export growth rates, ranging from 22 per cent to 29 per cent. The industries are each expected to gain an export turnover between USD 470 million and 550 million. The Ministry forecasts that tourism will be the country's leading earner among the top service industries. With a 10 per cent growth rate target for the number of foreign tourists visiting yearly, the tourism industry is expected to cater for more than 6 million foreign visitors by 2010, bringing in roughly USD 3.2 billion.

With a yearly contribution of nearly USD 2 billion, the "export of labourers" – an area of active Government policy - is expected to account for USD 3 billion of the country's total export earnings. The Ministry of Labour is aiming to increase the number of Vietnamese labourers working overseas to 70-80,000 each year. It should be noted at this juncture that "export of labourers" is not an objective, nor a concept of the GATS. The GATS only covers natural persons supplying services contractually in a foreign country on a temporary basis. It does not aim at opening the labour markets of other countries or gaining access to other countries' citizenship, residence or employment on a permanent basis.⁴

Waterways and air transportation are anticipated to contribute USD 650 million and USD 950 million, respectively.

Despite the low software exports over the past few years, the Ministry of Trade is optimistic for this sector, expecting a turnover of USD 300 to 400 million by 2010. The Ministry's estimation is based on a positive assessment by the Asia and Pacific Computer Industrial Association of the Vietnamese software industry. According to the association, Vietnam is currently ranked among 25 countries and territories that are the most attractive for software development worldwide.

Another very important economic factor for Vietnam's service sector is the ever increasing role of services in Foreign Direct Investment (FDI), where Vietnam lags behind international trends. The available data on FDI indicate that services account for about 14 per cent of total licensed FDI projects in Vietnam and about 16 per cent of the total registered capital. This is well below the global average estimated by UNCTAD at 71 per cent of global FDI outflows.

⁴ GATS Annex on Movement of Natural Persons Supplying Services

SECTION 2
INTERNATIONAL STANDARDS FOR STATISTICS ON TRADE IN SERVICES

2.1 The Manual on Statistics of International Trade in Services – the *Manual*

The *Manual* is designed to establish a comprehensive system of international trade in services statistics and to devise ways of classifying and collecting data on this area of trade. It serves as a guide to compilers of statistics and it aims at facilitating economic analysis and policy making as well as negotiations on trade in services. The *Manual* was developed by an international task force consisting of members from the European Commission (Eurostat), IMF, OECD, UNSD, UNCTAD and WTO. It has been recommended for use and is supported by these organisations. It is important that a phased approach is explicitly foreseen which allows countries to introduce the system in line with their priorities and capabilities.

The *Manual* builds on international standards. It thus follows the classifications of the UN System of National Accounts, 1993 (SNA93) which is an integrated system of accounts related to the economic activities and sectors of the economy of a country. It gives a complete picture of an economy and its productive activities and product outputs, including any international trade. The SNA 93 is used as a standard by countries to prepare their national accounts. To capture the transactions between that economy and all others, the 1993 SNA provides an account called the ‘rest of the world’, which it also refers to as the ‘external transactions account’.

The SNA93 classification for inputs of labour and capital, the productive activities, are the UN International Standard Industrial Classification of All Economic Activities, Revision 3 (ISIC3)) and for the output of products the UN Central Product Classification (CPC)), the latter being recommended by the IMF for Balance of Payments purposes, so as to be compatible with SNA93.

The *Manual* however, uses a sub-set of the ISIC, named ISIC Categories for Foreign Affiliates (ICFA). The classification of labour can follow the International Standard Classification of Occupations (ISCO-88) of the International Labour Organisation, and the UN International Standard Classification of Education, 1991 (ISCED), which may be relevant for GATS mode 4 suppliers.

2.1.1 Transactions between residents and non-residents

The IMF Balance of Payments Manual 5th edition, 1993 (BPM5), establishes the international statistical system for balance of payments purposes. It summarizes economic transactions of one country with the rest of the world. It covers balance of payments transactions between residents and non-residents relating to goods, services and capital.

The BPM5 includes the following concepts and classifications:

	BPM5 paragraphs
– Concept of residence	3.2, 3.3
– Territory	3.4
– Value of transactions	3.16, 3.30
– FOB at border of exporting country	3.32
– Merchanting	3.33
– Annual collection	3.35
– Transactions between related parties	3.36

- Trading partner 3.38

For trade in services the BPM5 includes the following 11 main standard services components:

- 1 Transportation
- 2 Travel
- 3 Communications services
- 4 Construction services
- 5 Insurance services
- 6 Financial services
- 7 Computer and information services
- 8 Royalties and license fees
- 9 Other business services
- 10 Personal, cultural and recreational services
- 11 Government services, not included elsewhere (n.i.e.)

“These 11 services components together match the GATS product coverage relatively well, with several exceptions. First, for the most part, the component *government services, not included elsewhere (n.i.e.)* is generally excluded from the GATS. Second, some transactions considered as services under GATS are recorded under *goods* in BPM5; this concerns the value of repairs of most goods that are sent abroad for repair, as well as most processing services. Third, some BPM5 components, especially *travel*, include transactions in goods. Fourth, BPM5 includes payments for *royalties and license fees*. Except for franchise payments, this component is excluded from GATS coverage.” (The *Manual* 2.53).

“The *Manual* recommends that FATS variables be classified by activity according to the ISIC Categories for Foreign Affiliates, a group of categories derived from ISIC. [] ICFA covers all kinds of activities, including goods production. ICFA was designed so as to provide the best possible link with EBOPS in order to facilitate as much as possible the comparability of the two sets of statistics. [] it provides a framework for displaying services produced as a secondary activity by enterprises classified as goods producers.” (2.68)

2.1.2 The four GATS modes of supply

The *Manual* gives a recommendation on the initial allocation of these sectors to the four GATS modes of supply. As a first step for BOP allocation by sector:

- Mode 1, cross-border (3.42):
 - Transportation
 - Communications
 - Insurance
 - Financial services
 - Royalties and license fees
- Mode 2, consumption abroad (3.43):
 - Travel
 - Port services to foreign carriers [also supply to FATS entities and embassies etc]
- Mode 3, commercial presence (3.44):
 - Construction services [see also FATS statistics]
- Mode 4, presence of natural persons (3.47, and Annex I):
 - Employees temporarily working abroad
 - Self-employed temporarily working abroad

And then the second step for BOP allocation by sector:

– Remaining commercial services to be either allocated to Modes 1 and 4 according to survey data, or to the dominant mode (either 1 or 4) upon inspection (3.45):

- Computer and information services
- Other business services
- Personal, cultural, and recreational services

2.1.3 Foreign Affiliates Trade in Services (FATS)

Chapter 4 of the *Manual* deals with foreign affiliates' trade in services, another very important component of trade in services statistics. The term 'FATS' refers to enterprises operating in the compiling economy that are controlled by non-residents (*Manual* 2.29). To date only the US have a fairly comprehensive FATS-system. This area of statistics is generally characterised by a lack of data on the sales, trade, FDI and activities of foreign affiliates. Inward and outward investment data need to be collected on a separate basis.

The *Manual* recommends that FATS variables be classified by activity according to the ISIC Categories for Foreign Affiliates, a group of categories derived from ISIC, as described in Section 3.1.1 above.

2.2 Introduction to international classifications

2.2.1 Classifications for production and economic activities

The UN International Standard Industrial Classification of All Economic Activities, Rev. 3, 1990 (ISIC 3) classifies all economic activities. The *Manual* recommends the use of ISIC 3 for GATS Mode 3 purposes to be compatible with the SNA 93, through a subset which is called "ISIC Categories on Foreign Affiliates (ICFA), as already noted.

2.2.2 The UN Central Product Classification for services products

The UN CPC covers all goods and services, including non-tradable items. Its first version is the Provisional CPC of 1991, to which the GATS GNS W/120 Sectoral Services Classification List largely corresponds. The provisional CPC of 1991 is most relevant for the classification and definition of trade commitments undertaken by WTO Members in the framework of the General Agreement on Trade in Services (GATS). For statistical purposes, the more up to date versions CPC 1.0 of 1998 and CPC 1.1 and 2 are more relevant.

2.2.3 The Extended Balance of Payments System (EBOPS) and correspondence between the classification in the *Manual*

The EBOPS classification follows international standards for trade in services statistics. It disaggregates the IMF Balance of Payments list of services products traded cross borders. It is also compatible with SNA and merchandise statistics and with FDI statistics.

EBOPS provides detailed guidelines for statistics in the 11 service sectors covered. The *Manual* recommends the use of CPC 1.0 of 1998, and gives extensive correspondence tables between it and EBOPS.

The Tourism Satellite Account (TSA) is a recommended methodological framework, to measure the contribution of tourism to an economy in an internationally comparable way. Some of the balance of payments data on travel "are one source on part of tourism as defined in TSA." (*Manual* 2.39).

The table in Annex II of the *Manual* also shows that further information is recommended in addition, under the heading of ‘Memorandum Items’, in order to help analysis and international comparability. These include:

- Memorandum items
 - Freight transportation on merchandise, valued on a transaction basis
 - Travel: expenditure on goods, accommodation and food and beverage serving services, all other
 - Gross insurance premiums, and claims (for life, freight, other)
 - Financial intermediation services indirectly measured (FISIM)
 - Financial services including FISIM
 - Merchanting gross flows
 - Audiovisual transactions

The *Manual* covers a number of special cases, which include the following:

- | | |
|------------------------------|------|
| – Construction | 3.7 |
| – Offshore | 3.8 |
| – Mobile equipment | 3.9 |
| – Ships | 3.10 |
| – Agents | 3.11 |
| – Households and individuals | 3.12 |
| – Civil servants | 3.13 |
| – Refugees | 3.14 |

Transport services are an example of a challenging sector for which to collect data, and special surveys may be needed. For example in the UK, the Office of National Statistics relies on data from the Chamber of Shipping for sea transport, the Civil Aviation Authority for air transport, Eurostat for rail transport, and Department of Transport on traffic surveys for road transport (trucking). In the US the Bureau of Economic Analysis obtains information on insurance charges on freight from the insurance industry to help in the calculation of the CIF content of merchandise trade, where the rates vary according to volume.

In future EBOPS might be revised for mixed mode transport services, local delivery, and maintenance of transport equipment.

A full correspondence between each EBOPS code and the CPC 1.0 product codes is given in the *Manual* in table A III.1 on pages 87-123. A full correspondence between each GNS/W/120 code, the CPC version 1.0 product codes and EBOPS codes is given in the *Manual* in table A III.2 on pages 125-149.⁵ The GNS W/120 list is given on pages 161-166.

FATS enterprises are those in which more than 50% of equity is owned by the foreign investor. This category is a sub-set of IMF FDI entities, both as to activity and ownership (4.17-24). FATS enterprises are classified by activity codes (ISIC Categories for Foreign Affiliates – ICFA) derived from the ISIC codes. Data on FATS in the compiling economy (i.e inward FATS) follow the variables to be collected under SNA93. A full correspondence between each EBOPS code, the ISIC activity codes and ICFA codes is given in the *Manual* in table A IV.2 on pages 155-157. The same variables apply to foreign affiliates owned abroad by residents of the compiling economy (outward FATS) which SNA93 does not cover.

⁵ The page references are to the English version of the *Manual*, and are different in the Vietnamese version.

2.3 Future developments of international standards

It is clear that the importance of services in the world economy is growing, which underlines the need to measure economic growth more accurately, including the impact of services on national economic performance, and in international trade in services, where data are relatively inadequate and most are problematic as to quality and comparability. OECD statistical work has given great attention recently to globalization indicators.⁶

Current work at the international level is therefore aimed at upgrading the international standards, implementing them more fully, and strengthening the relevant institutions and statistical infrastructure so that conceptual and methodological problems can be better tackled cooperatively.

Compilation guidelines will need to take account of current work being undertaken to update the relevant international standards, including:

SNA 1993

The revision of SNA93 for the service sectors will focus on the definition of insurance services, the output of financial services, the treatment of non-financial assets and revenue flows stemming from the leasing or right to use assets such as software, copyrights on music and films, R&D and so on. The determination of the residence of firms, and individuals including foreign students, sailors and foreign temporary workers are also being further defined. Publication is planned for 2008.

IMF BOP Manual

The issues being tackled include the residency of firms and individuals; the classification of services within the balance of payments; the borderline between goods and services trade (such as for repairs, goods for processing, re-exports, merchanting and information products and originals).

ISIC 1993

The revised classification will include further detail on services (21 Sections in the place of 17, and 87 divisions instead of 60 in Rev.3.1). It will probably include a new Information and Communication Section (and improved ICT aggregations), and sections on professional and business support services, culture, recreation, and human health services. Improvements to environmental activities are expected as well. A full ISIC4 draft was issued in March 2006 for comment, and this version has been followed by Vietnam for VSIC 2007. Publication was issued.

CPC 1.1

Services will be further elaborated, and a new grouping on information products is included. CPC 2.0 has recently been approved and presumably can be obtained by the GSO through official UN channels before it is made public. Publication is planned for 2007.

The Manual on Statistics of International Trade in Services

This is planned for publication in 2009, when the ICFA and EBOPS classifications can be updated to take account of the new international standards. There will be further material on GATS Mode 4 using a narrow definition to include the self-employed and employees who work temporarily abroad as contractual services suppliers. Other changes will affect residence, households with connections in more than one territory, and possibly data on remittances.

⁶ "Handbook on Economic Globalisation Indicators", OECD, Paris 2005

OECD Benchmark Definition of Foreign Direct Investment (BD3)

OECD plans to revise this document to take account of more complex indirect and intermediate forms of ownership.

ICT Surveys

OECD work on surveys on the use of ICT by businesses, households and individuals is focusing on aspects of digitized products, mobile access, IT security, e-business and e-government which have high policy relevance. A new module on e-business processes is due to be published soon.

Tourism Satellite Account

The UN World Tourism Organization is working in an inter-agency group to revise their TSA manual so as to align it with the revised SNA, BPM6 and ISIC4, and to ensure its definitions for traveler and visitor are compatible with The Manual on Statistics of International Trade in Services. It has also been working on an integrated set of standard modules for the collection and compilation of tourism-relevant data.

SECTION 3
CURRENT STATISTICAL SITUATION AND THE NEED FOR A NEW
FRAMEWORK

3.1. The challenges in establishing a statistical system for international trade in services

The MPI-GSO-UNDP project recommendations served as the starting point for the present MUTRAP II project and for identifying the progress achieved, the remaining gaps and advancing further the process of establishing Vietnam's statistical system. It is clear that the present, rather limited technical assistance project will not be sufficient to fulfil that large, complex and time-consuming task. Measurement of trade in services is inherently more difficult than measurement of trade in goods because of its invisible. Services are more difficult to define. Some of them are defined through abstract concepts rather than by any physical attribute or function. Unlike trade in goods, services do not normally cross customs frontiers in an identifiable form and in line with internationally recognised commodity codes such as together with a description of the contents, information on the quantity, origin and destination, an invoice...under an administrative system based on customs duty collection. The required information on services trade is dependent on reaching a common understanding of concepts with data providers. It depends on both information that may be reported to official agencies either from business accounting and record keeping systems or by individuals, and on a variety of data sources, including different administrative sources, surveys and estimation and imputation techniques.

Establishing a new statistical system for international trade in services is a difficult and lengthy, step by step process. It will take a few years to devise and carry out the business surveys that are required to enable the GSO to compile and analyse data on the large number of heterogeneous service sectors. Even the most developed countries are taking some years of intensive work to establish their services statistics, and the task is far from being completed. Developing countries are expected to need perhaps a decade or more.

3.2. The current situation of trade in services statistics in Vietnam

The two state agencies responsible for the establishment and operation of trade in services statistics, the State Bank of Vietnam (SBV) and the General Statistics Office (GSO), are already applying the classifications of most of the relevant international standards, in particular SNA93, GNS W/120, ISIC, BPM5, parts of The Manual on Statistics of International Trade in Services and the FATS classification. However, there are significant gaps and shortcomings, and data of various service categories are not yet collected.

3.2.1 The legal framework

The most relevant elements of the legal and regulatory framework for statistics on trade in services are:

- The Statistical Law, numbered 04-2003-QH11 issued by National Assembly dated 17 June 2003, which came into effect on 1 January 2004, and
- The Decree of the Government on Functions, Responsibilities, Powers and Organization of the General Statistics Office (Decree. No.101/2003/ND-CP) of 3 September 2003.

- The Prime Minister's Directive No 49 /2004/CT-TTg dated 24 December, 2004 on the five-years development plan of services in the economic and social development of 2006 – 2010 period
- The Prime Minister's Decision No.305/2005/QD-TTG dated 24, November 2005 on the National System of statistical indicators. According to the Prime Minister's Decision No 305/2005/QD-TTG of November 24, 2005, the GSO has proposed a new statistical reporting regime for promulgation by the Prime Minister.

Among other things, the law regulates fundamental principles for the collection of statistics, e.g. truthfulness, objectivity and promptness, independence of statisticians, uniformity of criteria, methods and classifications, allowing for international comparisons, avoidance of repetition or overlap between statistical operations, publication of statistical methods and statistics, equal rights to access and use of published state statistics and the important principle of confidentiality. Moreover, the law regulates administrative competences, procedures and disciplines.

The decree regulates the status and functions of the GSO which include the submission of proposals for statistical classifications, compilation and publication of national and international data and international cooperation. The Directive No. 49 of the Prime Minister of December 2004, for the development of the service sector in the framework of the National Economic Plan until 2010, is also very relevant for the statistical development of Vietnam.

3.2.2. Classifications relating to the International Trade in Services Statistics

Vietnamese Standards Industry Classification (VSIC)

Since 1994, Vietnam applies VSIC as stipulated by Decree No 75/CP of 27/10/1993 with 14 services sector (in which the services sector appears in activities 7 to 20). This set of codes for industrial activities is used for surveys such as the Annual Enterprise Survey (1 April) and the Individual Business Enterprise Survey (1 October). Although based on ISIC3, there were some variations that made the codes not strictly comparable with ISIC3 cause of Vietnam's specially activities.

In January 2007, new VSIC 2007 based on ISIC 4, which adopted by UNSD, was prepared by GSO. This classification was issued by the Government and will be replaced for VSIC 1993.

Vietnam Central Products Classification (VCPC)

At present, Vietnam is applying the VCPC issued by GSO in 1998 for product classification. This classification based on the provisional central product classification (PCPC), which issued by UNSD in 1989. After finished VISC 2007, the GSO have plan to revise this classification in 2007 - 2008 following CPC 2.0 of UNSD. New VCPC is expected to complete in 2008 in order to submit to the Prime Minister to issue, it accords with both currently development of Vietnam and harmonizing to have a connection with other classifications

Directive No 49 requests the Ministry of Home Affairs to coordinate with the GSO, MPI and other Government Offices to identify those services domains and activities for which no state management agency has yet been appointed, and to make proposals to the Prime Minister for the attribution of those responsibilities to the respective Ministries and agencies. Connection to statistics aspect, this review process will use the classification lists of economic activities in the service sector (VSIC-2007) and the service products (VCPC).

3.2.3. Weakness and gaps

Besides the good conditions of legal base, the international trade statistics in service of Vietnam have been facing with some problems as following:

- Broad coverage and complication of this new statistical area on service sectors, data sources and data collection caused many difficulties for establishing the statistical system.
- The statistical regime and guidance on this statistical area are not issued officially now while the effects of the new changes of statistical regime in SBV seem not be displayed in the data collection of service exports/imports for BOP
- Lacking of statistical knowledge and interestingness of the statisticians in the Provincial Statistical Offices (PSOs). On the other hand, the data of enterprises in international trade in service is very sensitive so that implementation to reports, survey form papers of enterprises are quite restriction. Although Statistics Law issued officially from 2003, the execution of connections was very restriction, effected to the accuracy, completion and timing of statistical information generally and the international trade in service statistics particularly
- The knowledge and requirement about statistical data of Ministries/agencies is not much. The cooperation among relevance Ministries/agency is not closed as much as possible on business registering, information updating and interchanging on enterprises between in GSO, MPI, the General Department of Taxation (GDT under the Ministry of Finance).

3.3 Internationally comparable statistical indicators

3.3.1 The Manual on Statistics of International Trade in Services

The Manual on Statistics of International Trade in Services (the *Manual*) sets out the overall framework of international standards to implement for services statistical indicators and reporting. The *Manual* recommends that its international classifications be followed for balance of payments purposes and for recording the activities of foreign affiliates. These are respectively, the Extended BOP Classification for Services (EBOPS), which is a disaggregation of the BPM5 11-sector classification, with minor variations, and ISIC Categories for Foreign Affiliates (ICFA), which is a sub-set of ISIC3. The ICFA codes vary from the ISIC codes, and so the *Manual* provides a correspondence between the ICFA and ISIC3 codes, and both with EBOPS.

Under the EBOPS classification of separate product categories, exports and imports are to be shown, and separately with partner countries (and disaggregated as between those with affiliates and non-affiliated entities). These data will be added to the set of indicators to be developed for this domain by the GSO.

3.3.2 The ASEAN framework for services statistics

3.3.2.1 Services products

An ASEAN workshop on statistics held in September 2006 in Malaysia set out the proposal of the common framework for establishing and harmonizing, the mechanism of coordination between member countries for strengthening the capacity building for this statistical area.

The first recommendation is to implement the *Manual* recommendation for using EBOPS and set out a minimum of EBOPS for harmonizing purpose. Referring to partner country, the list of priority partners also recommended: ASEAN Member Countries, the EU and seven other major countries.

Secondly, there should be a task force on Statistics of International Trade in Services (SITS), which will be chaired by GSO, Vietnam. The task force remit is to develop a common sampling frame for surveys, agree on stage by stage implementation of the recommendations of the *Manual*, devise

sampling frames for FATS and agree on the methodology for EBOPS data collection, including the development of a survey-based SITS methodology.

3.3.2.2 Service activities

Forwarding to the aim of classification harmonization, ASEAN has been agreed to follow ISIC4 for the first three levels ('Section', 'Division' and 'Group') and this set will be finalized by the end of 2006, for use from 2009 onwards. Variations from ISIC4 at the 4- and 5-digit levels for ASEAN will only be agreed in future if they are more detailed, can be combined 'upwards', and have wide application i.e they are feasible codes, useful for data collection, and arise from user requests.

3.3.2.3. Regional Comparison on International Trade in Service Statistics⁷

Current status of ASEAN Countries about their BOP ITS estimates with the international standards and classifications set out in the current Balance of Payments Manual presents in the tables below:

Table 4: Comparison in ASEAN

	Are the BOP ITS estimates compiled in accordance with the international standards and classifications?	Are data released for the 11 BPM5 categories?	Are more detailed / extended ITS estimates released e.g. EBOPS, partner country, GATS sector / mode of supply, foreign affiliate trade in services, persons working abroad? If not, has any work commenced or is any planned on these aspects?
Brunei Darussalam	Yes.	No, not yet released externally.	No. No start made on these estimates.
Cambodia			
Indonesia	Yes.	Yes, reported to IMF for annual BOP Statistics Yearbook.	No. Ministry of Manpower, BPS and BI have been working together to improve coverage of Indonesian workers abroad data. BI plans to compile BOP data by partner country.
Lao PDR			
Malaysia	Yes.	No, but quarterly release for transportation, travel, other business services and government n.i.e.	No.
Myanmar			

⁷ Report on International Standards in ASEAN SITS training and Workshop, Kuala Lumpur 4 - 8 September 2006

The Philippines	Yes, except for departure from 12 month residency rule for overseas workers and some timing and valuation difficulties.	Yes, with some additional dissections of 'other business services' and 'personal, cultural and recreation services'.	No, except for work on persons working abroad and some partial coverage of foreign affiliate trade in services through FDI survey.
Singapore	Yes.	Yes, quarterly data released but only for 10 categories due to confidentiality issue.	No, except for annual partner country data for major trading partners, for those services covered by Singapore TIS Survey..
Thailand	Yes, except for a modified classification of services, which includes more detail on transportation services, but less in other areas. This is caused by a lack of required detail in the ITRS.	No, but see previous table regarding classification used.	No.
Viet Nam	Yes, but not completely.	No, to end of 2006 Vietnam had 6 categories are available for quarterly data - transportation, communication, travel, finance, insurance, government services.	No, except for limited data on foreign affiliate trade from FDI indicators and numbers of persons working in major foreign countries.

At first glance this might appear to be a rather confused picture about situation of aggregation and release data from ASEAN countries. Generally, the standards for statistical methodology and classification applied by all countries however few countries applied enough. Philippine and Thailand have some difference cause particular characteristics. The less detail is made available quarterly, due to data quality, confidentiality or space limitations. There has been no activity on GATS sector classification or modes of supply, except for some limited coverage of foreign affiliate trade in services through foreign investment collections (the Philippines and Viet Nam). Some countries do release EBOPS data at a slightly lower level than the 11 main categories. There has been some work done, or interest expressed, in partner country dissections (Singapore and Indonesia) and persons working abroad (Indonesia, the Philippines, Viet Nam)

Although the current situation of international trade in service statistics of ASEAN member appear some gaps and weakness comparing to the international standards but the level of Vietnamese status are evaluated as average with the release of 6/11 service categories of ITS quarterly without details by sub-category and partner countries. This situation caused the weakness of management works, policy making and competitiveness of enterprises

3.4. The need for a statistical framework on international trade in services

Every modern economy needs a comprehensive system for statistics on trade in services. Establishing such a system in Vietnam is essential for many reasons of domestic and foreign trade policy:

- Comprehensive, timely and reliable statistics on trade in services, based on an appropriate and analytically oriented methodology, are indispensable tools for economic analysis and policy making. This applies for instance to the implementation of Vietnam's National Economic Plan for the period 2006-2010, and for other strategic plans. On the occasion of the 60th anniversary of the establishment of statistics gathering in Vietnam, Deputy Prime Minister Pham Gia Khiem stated that statistics are an important factor in governmental decision-making, particularly in their application in the development of strategies and policies on issues related to socio-economic development. Increased understanding of changes underway in the international and national services economy will help Vietnam to determine more closely where its economic interests lie in integrating with the rest of the world. Ultimately, statistical information is the key to improved transparency, and transparency is the key to good economic governance.
- Rapid technological advances in the past few decades in transport, computing and telecommunications, including the development of the internet and electronic commerce, have resulted in enterprises availing themselves of more distant resources for production and enabled them to serve ever wider markets. This trend towards globalisation, reinforced by liberalisation policies and the removal of regulatory obstacles to economic activities, has fuelled the steady growth of international investment and trade in goods and services. Better communications and multinational enterprises have also facilitated the movement of people, both as independent service suppliers and as employees
- Services are playing an ever increasing role in international investment. It is estimated that services are the largest recipients of international investment flows, accounting for 71% of global outflows in 2002.⁸ Similar trends, though not as strong, can be observed in Vietnam. According to the Ministry of Planning and Investment, by December 2005 the licensed foreign investment projects in the services sector accounted for 23 per cent of total FDI projects and 29 per cent of total registered capital.
- The Directive for Development of the Services Sector of December 2004⁹ mandates the GSO to assume the prime responsibility in formulating classification lists of services and service imports and exports, in coordination with the Ministry of Trade and other Ministries and Branches concerned (which includes the SBV) and submitting them to the Government. They must be compatible with established international systems of statistical reporting regimes for services and international trade in services. Implementation of that directive will provide a clearer view on the structure and performance of Vietnam's services trade, the relative economic importance of service sectors, their strengths and weaknesses, the potential impact of services trade liberalization, as well as the need for appropriate policy action. This applies in particular to strategic service sectors which have positive catalytic effects on the entire economy. The Government considers that priority should be given to six core sectors: financial services (banking and other intermediation services), insurance, telecommunications, maritime and air transport, and tourism. However, Vietnam should not limit its policy action to these, as other sectors are becoming increasingly relevant for the development of the country and for its integration into the world trading system (eg computer and information, professional and business, postal, courier, audiovisual, construction, engineering, distribution, educational, environmental, health, social and other services).

⁸ World Investment Report: The Shift Towards Services", UNCTAD, New York and Geneva, 2004.

⁹ Directive No. 48/2004/CT-TTg

- Good statistics on trade in services are necessary to develop appropriate negotiating positions for regional and bilateral trade negotiations. They would allow Vietnam's trade negotiators to achieve more valuable economic outcomes from such negotiations, such as in the ASEAN Framework Agreement on Services or the proposed ASEAN-China Free Trade Agreement.
- In particular, statistical evidence is required to help assess and monitor the impact of existing and potential future market opening commitments at the multilateral, regional and bilateral level in both directions of trade, i.e. for Vietnam's exports and imports. It is a difficult task to evaluate both offensive and defensive trading interests of the country and develop appropriate negotiating positions that take account of national policy objectives and the economic interests of both producers and consumers of services in Vietnam.
- From 11/1/2007, Vietnam becomes officially member of WTO. Therefore, information of trade in service will used to value the level of market penetration and supervision about implementation open market via exports/imports service data of Vietnam. If it do not enough trusty information then there can not evaluate to positive and negative affection, expansion to foreign market and protection to national market, benefit of producers and consumers of service in Vietnam.
- The GATS covers all services, including their trade aspects and important aspects of foreign investment. Vietnam will have to undertake legally binding GATS obligations and commitments and to implement them in its national legislation and regulation from 2007. Political and economic evaluation of all these factors will depend on statistics that capture production, exports and imports of services by sectors and the four modes of supply. They are also necessary for Vietnam to provide the necessary trade information to the WTO and its Member States, and to evaluate the trade commitments undertaken by other countries.

PART II RECOMMENDATIONS ON THE STATISTICAL SYSTEM

SECTION 4 DEFINITIVE RECOMMENDATIONS ON THE STATISTICAL REPORTING SYSTEM FOR SERVICES SECTORS

This section presents recommendations on building and improving the statistical reporting system about international trade in for each services sectors and classifications using to statistical purpose.

- Section 4 refer to recommendations to the statistical reporting system relating to 8 issues:
 - Collecting the exports/imports service statistics in Annual Enterprises Surveys
 - Revising and supplementing the monthly or quarterly statistical enterprise reporting/surveys
 - Using data available and improving the FDI statistics for compiling FATS data separately
 - Intensifying the cooperation among Ministries/agencies for using the data from administration records
 - Designing and carrying out the benchmark census of ITS.
 - Allocation of EBOPS data to the four GATS Modes of Supply
 - Establishing the Meta-data records and their publication
 - Studying and applying the imputation and estimation approach
- Section 5 referring to the recommendation on the building up the classification for statistical purpose

Requirement of statistical system for all services sectors in EBOPS

The statistical system for all service sectors generally and international trade in services specially should be built-up based on key principles as follow:

- Conforming to the Statistical Law and The Prime Minister's Decision No 305/2005/QĐ-TTĐ of November 24, 2005 on the national system of statistical indicators referring to the name of indicators, data detailed, reference period and responsibility of the Government Agencies/enterprises
- Ensuring the international and regional comparability
- Suitable with current conditions in Vietnam
- Meeting data requirement of the different users nationally and internationally on accuracy, completely and timeliness

There are some sources for compiling indicators, such as monthly and quarterly reporting/surveys and the administrative records arising from the regular reporting system of which the important source for annual statistical indicators on service sector activities and production are compiled from data collected by the Annual Enterprise Survey (AES).

4.1 Collecting the exports/imports service statistics in Annual Enterprises Surveys (AES)

The AES collects information annually, from all types of enterprises that are registered under certain laws, in every sector. The data are used for the purposes of compiling the national accounts, industry

statistics and statistics on specific sectors, to supply the needs of government agencies and to provide sector data on an internationally comparable basis.

Enterprises are classified by legal form and industrial activity of their principal activity (ie VSIC 1993 code). This survey was conducted in 2001 as the first time with the different questionnaire for collecting the indicators as main activity, net turnover, employee and income of employee, assets and capital, profit...of enterprises. The results of service export/import activities are included in the general results without separating until to survey of 2003.

- Services exports and imports

A new question was added to the 2005 survey of data for 2004 and the 2006 survey of data for 2005 on exports and imports of the major services sectors (other than air transport and travel) (Question No. 26). The response was not good due to lack of understanding of the services classifications, reluctance to reveal sensitive data and enterprise accounting systems that do not record services import transactions separately. This question in the 2006 survey for 2005 data included a slightly revised list of services sectors and was accompanied by detailed guideline notes on the sector classification and what transactions constitute imports of services. The result was some improvement in the quality of data collected. The survey form will be used again, unchanged, in 2007. It will probably be a few years before the data quality can be relied upon to publish detailed EBOPS sectoral results.

Although the data for 2004 and 2005 were not statistically very reliable, some light is already thrown on the picture for the six major sectors, and the data on them have been published.

Future work will focus on the larger enterprises to obtain better quality data from them and collect information on transactions with affiliates and exports and imports with major partner countries, being those agreed among the ASEAN member countries.

It is recommended that a separate survey should be devised for the EBOPS data collection to implement the 'Pillar I' in the *Manual*. Once the new concordance between VSIC2007 and VCITS is completed this will assist the understanding of the services products that are typically produced by enterprises classified in the non-service sector categories, as well as those in the service sector.

- Inward FATS statistics

Many of the inward FATS variables are collected by the AES surveys but have not been published, because the data for the FATS enterprises have not yet been abstracted from the data base. This data base holds information on enterprises that have 100% FDI, those with under 100% but over 50% and those with 50% or less, above the 20-30% threshold, depending on the legal requirements.

It is recommended that should be supplement into form the question and collection in existing database (refer to information of proportion of contribution capital's foreign in total capital of enterprises) relying on that separate sub database on FATS statistics in order to releases on inward FATS, at once supplement information on for outward FATS (even fewer enterprises). For each service sectors, GSO should be study more detail so that it finds out the problems of currently account systems which that impacts to separation, taking note detail about the result exports/imports activities of enterprises, from there to give recommendations to relationship Ministries/agents for solving.

The collection of service imports is difficulty more than collection of service exports, there is recognized by experience of some countries and fact of Vietnam with the reasons: enterprises do not understand about payment service charge for foreign partner mean service import activity, or

enterprises don't want to feedback about their service charge information...Therefore there should be pay attention to design of questionnaires, guide of answer this contents.

4.2 Revising and supplementing the monthly or quarterly statistical enterprise reporting/surveys

The monthly or quarterly statistical reporting/surveys are main sources for data collecting for the industrial statistics of which the regular report is applied for State Owned Enterprises (SOEs) and the State Owned-Corporations and survey is applied for Non-State Owned Enterprises (Non-SOEs). In the recent years the equitization have been implementing strongly according to the Government policy. Number of the SOEs is decreased while the Non-SOEs is increasing more and more. This trend to show that the statistical surveys should be developed to cover all statistics.

In the current monthly or quarterly statistical reporting/surveys, export/import indicators are not required to report separately by enterprises. In the year of 2004 and 2005 the GSO issued temporarily three reporting forms applied for some Corporations and Administrative Departments specializing on Air transport, Sea transport and Post-Telecommunication based on recommendations of the Manual and some foreign countries experiences. However since 2006 the State Owned-Corporations have been changing to the Group model including many enterprises with different economic activities. So above statistical reporting will not suitable with them and the new way of data collection will be necessary.

It is recommended that the enterprises surveys monthly/quarterly should be developed and the export/import indicators should be required to reporting separately by enterprises.

Due to the differences between the various services sectors the EBOPS, survey forms will have to be designed specifically to make them suitable for the more complex sectors. The sampling frames and survey method may also need to be specifically designed. The census should be conducted for the service sector, in which the number of enterprises is small (for example air transport, insurance and communication). The sample survey should be conducted with the alternate sampling for the service sector having the large number of enterprises. This will be necessary before the results can be published with some confidence. Given the government's priorities set for the six major sectors, the GSO will concentrate on surveying them as their highest priority.

Nowadays, service exports/imports of a lot of enterprises have small value, so that need to selects sample frame size with suitable, particularly when the data quality still was low. In the first period, the data quality of service imports depended on the data collection from SBV, sample size and level development of each service sectors, therefore, there is should be using currently data source of SBV, receiving by monthly from submit of trade banks. Until the power of GSO can satisfies need of survey, then this data will replace imports data of SBV. Considering the way: there is only requiring to big enterprises to submit to detail data of service imports by service sectors/sub-sector and by country partner, for small enterprises group may be estimates by based on proportion of service sectors of big enterprises.

In order to rises rate of collecting reports/ survey forms from enterprises, the design of the survey forms is an important element in reducing respondent burden in their completion, and they should be as friendly and easy to fill in as is consistent with statistical rigour. In addition, method of data estimation based on the confidently methods in case of enterprises do not answer should be research for rising this rate. The penalizing of statistics Law by administration way need be considered sensibly to help up data quality. The training for statistician staff of enterprises, province statistical office should be done increased effectively, in particularly big enterprises.

For both VCITS and VSIC 2007 it will be important to have fully comprehensive and clear descriptions of the products and activities covered under each category so that respondent organizations and enterprises can understand which of their services should fall into any given category.

Together with GSO's AES development, SBV should be maintained and improved statistical report system which is apply for commercial banks refer to BOP purposes. However report regime 477 of SBV have revised for improving data quality, it is a distance with requirement of division into service sector/sub-sector, partner, the aspects total receipts/payments of non-resident person of enterprise, this source is very importance for co-ordination with survey data of GSO in order to full picture about service exports/imports of Vietnam.

Regulation the statistical indicators for different service sectors

A. Transport

A.1 Rail and road transport

The trade with China is partly by rail (the rail track from Hanoi to the Chinese border is dual width (i.e. both the 1 meter Vietnam gauge and the 1.435 meter international gauge, as in Europe and Russia, so no trans-shipment is necessary at the border) and partly by road trucks. Only trucks serve the border with Laos, and trucks and ships serve Cambodia. There are no data on the amount of freight crossing these three land borders.

A.1.1 Measurement Considerations

- **Passenger Transportation Services.** Care should be taken in the treatment of transportation services provided by a domestic company to visitors and tourists within the country. This is to be treated not as transportation but as travel. The *Manual* notes that transportation services exclude time charters without crew (included in *operational leasing services*).
- **Freight Transportation Services.** These services are provided by non-resident operators on Vietnam's imports (debits). [para. 3.67] There are several methods for estimating freight services, mostly requiring the collection of survey data. One method – the current practice in many countries including Vietnam – is to estimate this debit entry as a percentage of the c.i.f. value of imports – 10% in many cases. (The c.i.f. value of total imports is correspondingly reduced to bring merchandise imports to the f.o.b. valuation required by convention.) It is prudent to re-examine this figure and update it in line with the results of the sample survey on international freight and insurance on imports of merchandise goods.
- **Other Supporting and Auxiliary Transport Services [232].** This sub-group of transportation services is of economic relevance, as many WTO countries have undertaken liberalization commitments, even for auxiliary services in air transport. In the EBOPS classification this sub-sector is of particular interest since the component includes *cargo handling and container handling services*. The *Manual* recommends that all cargo handling services be included in [232]. The definitions of Sea transport services [209] and Air transport services [213] specifically exclude cargo handling. The *Manual* notes that services relating to more than one mode of transport and that cannot be allocated to individual modes of transport are recorded under this heading [232]. It includes “cargo handling (such as loading and unloading of containers), storage and warehousing, packing and repackaging ...” [para.3.71] The separate identification of this activity in the *Manual* reflects its increasing size and importance as a service that can be traded worldwide. In countries where container handling services are provided by a public sector Port Authority, it may be the subject of discussions on privatization and liberalization in trade negotiations. For statistical

purposes, it is recommended that container handling should continue to be reported where it now stands, i.e. aggregated with other items in *Other transport services* [217].

A.1.2 Current Position on Statistics in Vietnam and recommendation

- ***Maritime transport [206]***

Until 2005, the maritime transport in Vietnam had 295 shipping companies and 175 supporting and auxiliary transport services companies. The state shipping company Vinalines is biggest company with 44 units, which are entering independently in the account units (of which is 14 state units) maritime transport, port service and maritime service. This company gains biggest market share of maritime transport in domestic and oversea. However currently, the statistical regime of official report or sample survey applying for maritime enterprises about international trade in service except forms quarterly by GSO temporary promulgation for Vinalines since 2005.

Recommendation: form 01g/CS in regime of reporting applying for state enterprises, further maritime transport export/import service form. For non-state enterprises, we should be build and promulgated regime of frequently survey with suitable questionnaire. Total survey of maritime companies should be carried out in 2008 with breakdown by EBOPS classification and partner countries.

- ***Air transport [210]***

Vietnam has two firms, which are Vietnam Airlines and Pacific Airlines, transport the passengers and goods in internal and international route. In addition, Vietnam has 20 foreign firms of airlines, which are permitted the take on/off flight in Viet Nam, transport the Vietnam's passengers and freight and applying the auxiliary air transport services of Vietnam. The statistical regime applying for the Vietnam Airlines Corporation and the Department of Air Transport was issued for collecting the data of services exports in the air ports in 2005. GSO should collect data not only from Vietnam Airlines, but also from Pacific Airlines.

Recommendation: should be build the official statistical regime applying for the Vietnam Airlines Corporation and Pacific Airlines, at the same time carried out statistical survey at less every year one time/year, for import service was collected by 20 foreign firms of airlines.

- ***Railways Transport [223]***

Vietnam Railways Corporation is only one international transporting between Vietnam and China. Internal activity of Vietnam Railways Corporation, it submits to GSO by monthly but lack information of export/import service. According to estimation of Vietnam Railways Corporation, the value of export service in 2006 gained 3 mil USD, of which, the major receipts is the transport of goods. The railways line connecting ASEAN countries will build in the future and Vietnam international railways service will develop strongly, so requirement about this data is very necessary.

Recommendation: should be completed and explained the official statistical regime applying for the Vietnam Railways Corporation.

- ***Motorbikes Transport***

This field collects complicated for data cause of particular activities and managements. The domestic service statistics was received main from multi provinces source. Currently, there has got regulations its foreign trade service without requirement of annually enterprises survey. However, the Annual Enterprise Survey and fact of activities can estimate that receipts value from this service is quite small, and expenditure was collected by payment of import transport service of Vietnam.

Recommendation: at moment, there not need concentrated to collecting this information from road transport. In future, when the road transport is more developing with other countries, we will consider about estimation of this data through immigration vehicle data of customs office.

B. Travel

Travel is the largest sector in international services trade, accounting for 29.4 per cent of world services exports. It is also a priority sector for development in the economic plan of Vietnam. Travel accounts for a significant proportion of Vietnam's services receipts from international trade, and accounts for the major proportion of tourism revenue. In 2005 there were over 3 million foreign visitors from which about USD 2.5 billion was earned. The climate is very different in the north, centre and south and so the visitors to the colder north come in the summer and in the south they come all the year round.

Chinese visitors form the majority, with Americans only a third as many, and Japanese and Taiwanese not far behind. After that Australians were just over a tenth of the Chinese number. About 57% of foreign visitors arrive by air, 32% by road (mainly from China, Laos and Cambodia) and 11% by sea. The purposes of the visits were: for holiday 53%, business 18% and visiting relations and friends 17%. Foreigners accounted for about 20% of the nights spent in hotels and other tourist accommodation, and foreign day visitors accounted for 23% of the total.

B1. Current Situation on Statistics in Vietnam

Pilot Visitors Surveys were carried out in 2003 and 2005 to examine the expenditure of both international and domestic visitors. The Annual Enterprise Survey collects data on hotels and guesthouses accommodation utilization from which expenditure on accommodation can be estimated accurately, based on a 90% response rate. Also the travel agents are required to report the number of visitors they handle, their margin on international travelers and Vietnamese traveling abroad. In 2005 about 30,000 visitors registered in accommodation were sampled (6,500 being foreigners), over a period of 20 days (i.e 15 November to 5 December in 2003 and 10-30 July in 2005) using form No 01.DTDL for foreign visitors, and 02.DTDL for domestic visitors. This was carried out in 26 key provinces and cities (only 12 of which for international tourists), and using a random sample from the 6,000 hotels etc in each zone and stratified by hotel star categories and number of tourists accommodated in 2004. An enumerator visits each establishment to collect the data. Sometimes the receptionists act as enumerators and quiz their guests, then some forms are returned by post. The questionnaire form for visitors was designed by the GSO, the provinces and cities selected and then instructions given to the PSOs on how many interviews to carry out. The list of hotels was updated from the Census of Economic and Administrative Units of 2002 and the Annual Enterprise Survey of 1 April 2005 and Survey of Private Business Units at 1 October 2004.

Monthly information on cross-border movements is obtained from the immigration department and the border police, who are stationed at all air and seaports and the border land crossings with China, Laos and Cambodia. Migrants are separated out from international visitors and not included. Average expenditure per head was calculated, but the survey did not pick up the expenditure of Vietnamese going abroad, which may have to be collected from household/family surveys. The number of those going abroad is picked up from travel agents. The GSO is considering what system and methodology to gather expenditure data.

The National Administration for Tourism carries out surveys for its own purposes, but their and the GSO databases are not shared or reconciled. Their data are collected from brief interviews of inward and outward movements at ports and border crossings, when passengers do not remember well what they spent and are not very cooperative, thus not much information is available compared

with the GSO interviews which take more time. The Administration also does surveys on hotels and guesthouses and reports the results to the GSO.

The Annual Enterprise Survey collects information from hotels on income from accommodation and restaurants disaggregated, and from restaurants/bars. The Customs Department also collects information from inward and outward visitors, then reports to immigration and this is passed to the GSO. In future, information on foreign students might be collected from state education facilities, but the expenditure of Vietnamese students going abroad would need a survey. The same goes for health-related expenditure, which is of interest, as it is in some other ASEAN Member countries. It is planned to insert an extra question in the household survey for 2006 on professional earnings from abroad, but the sample limits may not catch the small numbers, and a separate survey may be needed. The Visitors Survey does not collect data on Intra-Corporate Transferees and military/embassy staff, but does cover Business Visitors and Contractual Service Suppliers.

Expenditure by same-day visitors cannot be collected from hotels of course, but can be disaggregated from the Visitors Survey. However, those visitors who stay with relatives or friends are not surveyed. The TSA concept of “usual environment” for domestic visitors has not been implemented formally, and tentatively a radius of 20 km from place of residence would be used (as indicated in the document “Sample Design – Expenditure survey of tourist in the year of 2005”, Item II/3, (GSO Decree No 1083/QD-TCTK 20 June 05), but domestic visitors would have to travel over 50 km to be included, though this might be adjusted lower, depending on provincial administrative boundaries.

The comparisons between the results for 2003 and 2005 appeared to be quite consistent, which points to the random sampling techniques being reliable. In 2005, 8,195 foreign visitors were interviewed (of which 5620 had English as mother tongue, or 68.6%), most came by air 80%, 64% were male, and 74% between ages 25 and 54.¹⁰

Currently no information is collected by the Ministry of Health on the presence and expenditure of **foreign patients [241]** in hospitals and clinics in Vietnam. Likewise, the Ministry of Education does not collect information on the presence and expenditure of **foreign students [242]**. A sample visitor exit survey is used for estimating the expenditure of the approximately 40,000 Vietnamese students studying abroad, but it may not be reliable.

B2. Recommendation

To calculate the proportion of tourism in the national GDP, as a first step the EBOPS Travel category could be the basis, and the correspondence table in the *Manual* used to allocate the ‘product’ exports and imports to the ISIC categories (see Table A.IV.2, pages 155-157). Later on, ways of adding the ‘internal visitors’ tourism would have to be computed.

The BPM5 EBOPS breakout is recommended to continue, that is, travel spending for Business purposes, and for Personal purposes. Within the Personal category, Education and Health are relevant details from the demand side, complementing the core categories of Education and Health services.

An alternative grouping for Travel, one proposed for future BOP use, has categories for: expenditure by travellers on goods (which is presently a Memorandum item [956] of the *Manual* and needs to be removed for making GATS comparisons); for Transport services (‘local’ spending by travellers i.e. in the economy visited); for Accommodation and for Food and beverage services - currently a single Memo item [957] - as is ‘All other travel’ expenditure [871].

¹⁰ Source: Results of Tourism Expenditure Survey in 2005, GSO

It seems likely that the value of inward international visitor expenditure is under-assessed, and further work will be needed on the visitor surveys to capture user demands, same day visitors, better coverage of tourism spots and also outbound tourist expenditure. In addition the GSO may wish to consider a start on the setting up of a Tourism Satellite Account. This will need careful assessment of whether the PSO/DSOs have sufficient capacity for this increase in coverage and intensity.

The GSO might discuss with the immigration authority and the border police on whether the data they report can be improved for Mode 4 purposes. The Ministry of Labour maintains a register of Vietnamese persons who travel abroad to take up employment.

So as to reflect national importance, to better match with GATS and to assist with eventual TSA accounts, three further breakouts are suggested of the 'All other travel expenditures' category (EBOPS [871]):

- 1) From the suppliers of the services, breakouts of Travel agency, tour operators and guide services and of tourist info/reservation services. These are presently with another EBOPS category, 'Other business services' [284].
- 2) Outlays on entertainment services, and
- 3) Outlays on sporting and recreational services.
- 4) Outlays on personal well-being, such as spas.

The last two breakouts are again demand side items, which like local transport, have no EBOPS or CPC coding. The spending on Entertainment and on Sporting and recreational services further serve to complement the international transactions of service providers shown in EBOPS.

B.3 The Tourism Satellite Account

B.3.1 Measurement Considerations

Tourism is not a "service sector" in the usual statistical definition; rather it is the partial output of a group of ISIC industries. The construction of a Tourism Satellite Account (TSA) provides analysts with a means of separating and examining both tourism supply and tourism demand within the general framework of the System of National Accounts. The use of a framework such as National Accounts makes international comparability possible, as well as comparability with other domestic activities. A large variety of information can be obtained from the TSA, concerning:¹¹

- tourism's contribution to the economy of a given country and its ranking relative to other sectors and in comparison with other countries. By evaluating and using this information, both public bodies and tourism enterprises will increase their capacity to influence decision-making at all levels of the Government.
- industries that benefit from tourism, and to what extent, particularly for industries that are not traditionally associated with tourism. Certain enterprises may be able to determine how tourism influences their business performance and subsequently use this information to enhance their business strategies and thus increase their competitive edge.
- the amount of tax generated as a result of tourism activity, which is an important factor in terms of convincing municipal, provincial and national authorities to design incentives for boosting tourism investments.

¹¹ General Guidelines for National Tourism Administrations Relative to the Development of the Tourism Satellite Account, World Tourism Organisation, 2002.

- data relative to visitor demand and the extent to which it is matched by domestic supply.
- improvement of knowledge concerning jobs generated by tourism and their characteristics, without which the creation of really useful employee training programmers in more characteristic tourism activities (e.g. hotels, travel agencies, car rental firms, tourism information services, etc.) can prove to be a haphazard exercise.

The main focus of tourism statistics, including in the TSA, is on individuals and their trips, which are classified by:

- Purpose (business, personal)
- Duration
- Origin and destination
- Means of transport used
- Type of accommodation used

The TSA goes beyond traditional tourism data to include concepts such as:

- Internal tourism consumption - the amount of visitor consumption within an economic territory
- Value added of tourism industries - a supply side indicator that measures total supply from tourism activities, and does not depend on tourism demand
- Tourism value added and gross domestic product, which measure the net value of goods and services produced, estimated through the difference in the value of outputs and inputs.
- Others: Tourism employment - Tourism gross fixed capital formation - Tourism collective consumption - Total tourism demand.

International recommendations call for more of an SNA input-output type of approach, using industry and commodity data, in addition to tourism specific data. TSA's are generally dependent on commodity information being available. For example, the five major tables for the 2002 United States TSA accounts¹² are titled:

- Table 1. Production of Commodities by Industry, 2002
- Table 2. Supply and Consumption of Commodities, 2002
- Table 3. Demand for Commodities by Type of Visitor, 2002
- Table 4. Output and Value Added by Industry, 2002
- Table 5. Employment and Compensation of Employees by Industry, 2002

The TSA for Vietnam: Current challenges

- The private sector needs to understand the uses of TSA better, leading to more cooperation in providing data.
- Domestic tourism revenue is underestimated, because "before and after" expenditures are not included.
- Setting up a TSA in Vietnam will require careful assessment of whether the PSO/DSO has sufficient capacity for this increase in coverage and intensity.

It is recommended that the compilation of a TSA should be left until a later stage.

C. Communications services

¹² U.S. Travel and Tourism Satellite Accounts for 1998-2003, Survey of Current Business, September 2004

The communications services in Vietnam had 7 companies of which the Vietnam Posts and Telecommunications Corporation is biggest market of international post and telecommunication. Internet: there are six firms providing internet connection services, 16 Internet Service Providers (ISPs) and 7 Application Services Providers (ASPs).

Current Position on Statistics in Vietnam

Similar other service, the usually statistical regime applying for state enterprises not includes international service without temporary regulation about this indicator for the Vietnam Posts and Telecommunications Corporation in 2004. The VNPT submits estimation reports to GSO every monthly and this report is very necessary for estimation of service's total value based on market share of this company (about 60%). In 2006, the first time VNPT complete the report follows model of GSO in which has breakdown to 10 major countries.

Recommendation

The in fact of two years ago, we recognized that the report form of VNPT is suitable content and feasible. Therefore the forms should be checked again, completed and released officially for all enterprises in this field through periodical regime (state enterprises) or survey (non-state enterprise) in which annually enterprises survey should be noticed about equitisation of enterprises in Vietnam.

D. Construction [249]

Although the construction sector is not among the sectors of priority interest in Vietnam's national economic plan, there are over 12,000 construction firms employing nearly one million workers, and construction services account for about 6% of GDP. This is expected to rise, and exports are beginning to expand with both labour employed abroad and capital expenditure on projects abroad increasing.

For statistical purposes the GSO treats this sector separately between manufacturing industry and services, which is similar to the practice of many countries. In the GATS context, however, statistics will have to be reported as an exception to the normal BPM5 practice, as described below.

Recommendation: In the light of complexities in implementation, no further breakout is suggested. For example, practice in different countries may in fact vary as to whether construction projects longer than one year are treated as quasi-foreign direct investment, or as services. The *Manual* moreover, considers that Mode 3 of GATS applies if a commercial presence is set up abroad even for a short period of time, rather than the centre of economic interest remaining with the home country. BOP adjustments to merchandise trade can also be required if transactions covered in construction services are already part of exported or imported goods.

The *Manual* in its § 3.93, on page 40, states that "It is acknowledged that, for strong practical reasons, countries may prefer to continue to follow the treatment recommended in BPM5; in such cases, the treatment should be described in the explanatory notes that accompany the publication of the data on construction services." Under the circumstances, where Vietnam records construction separately from the service sector, this practice could continue at present.

Eventually a pilot survey may be necessary to check whether the Annual Enterprise Survey can be used for this sector, after it has been updated to record EBOPS categories for both exports and imports, and by partner country. Already there are Vietnamese firms working on contracts in Laos, and a few in Cambodia, and an outward FATS survey will need to consider how to collect information on their activities which are to be allocated to Mode 3.

It seems likely that a special investigation will be needed to assess why the Annual Enterprise Survey reports yield only poor data so far. Already there are major Vietnamese firms working on contracts in Laos, and a few in Cambodia, and an outward FATS survey will need to consider how to collect information on their activities, which are to be allocated to Mode 3.

E. Insurance

International trade: The balance of payments accounts indicate that receipts and payments for insurance services are relatively small value in GDP however it could be that Insurance services are one of the 6 priority sectors in the economic plan of the Government.

In Vietnam the insurance sector was recently liberalized, and now there are 29 insurance firms in total, of which only six are non-life. The regulator for the insurance companies and brokers is the Ministry of Finance. Since the new law on insurance of 2000, primary insurers could place reinsurance outside Vietnam. The Rector of the FTU when asked to guess the level of reinsurance said that it would be normal for primary insurers to retain 20% of the risk and reinsure the other 80%. The proportion that the Vietnamese state reinsurance would pass on in retrocession was 90% to the West of England P&I Club in the UK. It could be that also maritime, aviation and transport insurance is now obtained abroad by Vietnamese firms.

E1. Measurement

The insurance sector presents a particularly complex and difficult area of measurement of services. The *Manual* recommends a measurement of insurance that nets claims against premiums and designates a portion of the premium as services.¹³ At the same time, a measure valued on a gross basis (and thus more comparable to other services) can be compiled showing debits and credits as follows:

Credits comprise premiums earned (or written in the case of life insurance) by resident insurers from their clients abroad, plus claims by residents incurred on policies issued by non-resident insurers. This applies to insurance and reinsurance.

Debits comprise claims by non-residents incurred on policies issued by resident insurers, plus premiums earned/written by non-resident insurers from resident clients. This applies to insurance and reinsurance.

This reflects the procedure identified in BPM5 [257]: “For some purposes – e.g., for use in trade negotiations – total premiums and claims are relevant and are shown as memorandum items under *insurance services*.”

While gross premiums and gross claims are listed as Memo items in the *Manual*, they may differ from the compilation of credits and debits above.¹⁴ By adding gross premiums alone, one part comes from credits and another from debits. Gross claims also have a portion from debits and a

¹³ Measures on a net basis differ from the general recording principle for transactions in the current account of the Balance of Payments, according to which transactions are recorded on a gross basis (BPM5 paragraphs 192-193). In practice, this netting process means that the credit entry for *freight insurance*, for example, represents the difference between premiums earned and claims payable on goods lost or destroyed in transit.

¹⁴ Credits, as indicated, can be a combination of both premiums and claims according to what the resident insurer receives as premiums, and what the resident client receives from claim on its insurer abroad. Similarly, debits can comprise premiums going from resident clients to a foreign insurer, and claims incurred by resident insurers to settle with its clientele abroad.

portion from credits. This gives a different result from adding up all the credits and adding up all the debits. The prime interest would appear to be in the sum of the credits and sum of the debits.

The insurance sector is undergoing change and so is the measurement of insurance services. Work on revision of the Fifth Edition of the IMF's Balance of Payments Manual (BPM5) will produce changes in BOP methodology affecting insurance. These changes will involve a move from measurement based on premiums less claims, as outlined above, to premiums less 'adjusted' claims, i.e. adjustments to smooth the effects on claims of major disasters. In the new BPM6 the proposed treatment of non-life insurance services will indicate calculation of the value of insurance services, including reinsurance, by using the following formula:

premiums earned
plus adjusted premium supplements
less adjusted claims

E.2 Current Position on Statistics in Vietnam and Recommendation

The source of the data is the ITRS and the entries include insurance on goods. It is clear that this source is not appropriate for delivering the breakdown into the five components recommended. Such information would have to be gathered by the survey process. Here too, the general form proposed for capturing international receipts and payments for all services may not be appropriate for insurance services. A special survey form and supplementary sources may be required.

For greater detail on measurement and compiling insurance services for the balance of payments, see Box 3.2 of the *Manual* and the *IMF Balance of Payments Compilation Guide* (paragraphs 551-561), <http://www.imf.org/external/pubs/ft/bopcg/1995/bopcg.pdf>

Recommendation: The insurance sector in Vietnam is not well developed, but is now a priority sector, both in terms of level of output and of interest for international trade. The following guidelines can be taken into consideration for future improvement of the data:

Credits and debits for insurance services should first be recorded and monitored on a gross basis. If the data indicate that the level of receipts and payments for insurance services have increased in importance, or needs emerge for trade or other policy purposes, it may be useful to distinguish the five sub-components and to gather data on their international flows (see below).

A priority should be to record the origin of receipts and destination of payments by major trading partner, even if only at the aggregated level of insurance services [253]. It is recommended that insurance firms should be surveyed separately, if the full disaggregation is required on the different types of cover, and in gross terms for premiums and claims for the memorandum items:

	EBOPS code
5 Insurance services	253
5.1 Life insurance and pension funding	254
5.2 Freight insurance	255
5.3 Other direct insurance	256
5.4 Reinsurance	257
5.5 Auxiliary services	258
Memorandum items	
3 Gross insurance premiums	960
3.1 Gross premiums – life insurance	972
3.2 Gross premiums – freight insurance	974
3.3 Gross premiums – other direct insurance	976
4 Gross insurance claims	961
3.1 Gross claims – life insurance	973

3.2	Gross claims – freight insurance	975
3.3	Gross claims – other direct insurance	977

The calculation of insurance charges on freight needs closer examination, because the IMF rule of thumb ratio of 10% is used to estimate the total charges on merchandise imports and exports for both insurance and the freight charges. A special survey was conducted to obtain current charging rates for insurance and freight services on merchandise imports, following the successful completion of a pilot survey, and the data collected is being processed. Once the data is deemed statistically reliable, the ratios obtained should be used to adjust the merchandise and services BOP figures accordingly.

G Financial services

Banking services are a priority sector in the National Plan of the Government, and they play a core role in the domestic economy and for exports and imports. They played a central role in the negotiations of the GATT Uruguay Round, and a successful agreement on financial services was reached in late 1997.

The SBV is the regulator and supervisor for the banks and the Ministry of Finance regulates the Stock Exchange. There are 48 banks in Vietnam, of which four are State-owned. There are also 27 foreign bank branches, and 44 foreign representative offices. In addition there are 900 People's Credit Funds, five joint stock finance companies and nine leasing companies. Banks account for about 80% of the total assets of the entire financial sector, amount to about 818 billion VND in 2005. 100% equity is now allowed.

There are still strict controls on the exchange of foreign currency, with only authorised banks permitted to deal in them. Netting of exports and imports currencies is not permitted and the system is easy to cross-check. In 2002 the volume of international payments totalled over USD 35 billion.

Private individuals and enterprises are not permitted to open accounts abroad. Some SOEs are permitted to have foreign currencies, but they have to pass them through an authorised bank in Vietnam.

G.1 Current Position on Statistics in Vietnam

The SBV collects BOP data from the banks and securities houses on reporting forms, and requires monthly reports in addition to the daily ITRS reporting system. The PSOs do not survey the banks as it is carried out centrally by the SBV, even for the Annual Enterprise Surveys.

The SBV recognises that the Law on Statistics is comprehensive and its framework covers the SBV which is the central bank, and that all agencies are required to cooperate to fulfil their tasks including the SBV.

The SBV are of the view that there is so little banking cross-border trade that it is not worth doing the FISIM calculations yet.

The GSO National Accounts Division does not yet receive enough information from SBV on banks to calculate their added value, but a forthcoming regulation should require this input. This division also needs data on trade for the Rest of the World 'sector' and monetary statistics, recording the flow of money in the system, which they get quarterly from the SBV, as well as data to calculate the added value of the banking sector. Data from the seven largest banks and the Annual Enterprise Surveys, plus the annual accounts of the banks, are also used. The BOP data does not yet differentiate between bank and non-bank data.

G.2 Recommendation

Although the export of financial services is currently not a major source of foreign currency, it is recommended that the situation be monitored more closely.

1. Publish the detailed data on receipts and payments for 'Financial Services, except insurance', in the SBV's Balance of Payments report.
2. Add Financial Intermediation Services Indirectly Measured (FISIM) into 'Financial services, except insurance', where they are defined but not yet quantified. This step would mean greater consistency between the level of services as now measured in the BOP and by the National Accounts, where FISIM is progressively being included by many economies.
3. A further disaggregation of 'Financial services, except insurance, should be explored for future compilation and reporting. Money transfer services are one of many supporting services covered under the existing definition of this category, as is correspondent banking, where a wide range of banking services are not explicitly charged. It would in the process clarify for users and compilers the relationship between correspondent banking and (a) explicit banking charges already measured, and (b) estimates of FISIM.
4. Researching the building to regime for applying of stock companies in order to collect data about income/expenditure of its service toward non-resident transactions and activity of investment funds to belong to commercial presence form (mode 3 of supply).

A banking expert should advise the GSO National Accounts on the calculation of gross output and consumption of banks, so as to see how to interpret with the big quarterly variations seen in the data, which also relate to capital adequacy requirements.

Special surveys will also be needed for banks and other credit institutions in order to calculate FISIM, which will be needed for BPM6, and by the compilers of the National Accounts. Currently the quarterly returns from the banks used for National Accounts show big variations, which it is hoped that the new Decree to require FISIM will remove.

H. Computer and information services

This is one of sectors which are fostered by Government in strategy of the economic development of nation. However this sector statistics is quite new and GSO to be continue the study and development. In 2004, GSO with Ministry of Posts and Telematics conduct a separate partial survey of about 5,000 ICT in 8 provinces/cities. Indicators survey includes information about hardware, software applying to state enterprises, the private commercial companies and households. The result of this survey had been researching and developing to statistics. The number of supplying to service internet and supplying to service applying do not collect yet and will have from ICT survey. The plan of GSO supply website for enterprises in order to receive their data. In the AES, the questionnaire 18th of form was designed for collection to some information about ICT of enterprises, but no much.

Near by now, the number of enterprises in production, processing of software, including processing of foreign trends increasing. However the statistics have not officially information to collecting and aggregating about this field.

It is recommended that a further survey be carried out to include more provinces, and presumably this should now include Internet Service Providers (ISPs) and Applications Services Providers (ASPs). Later it will have to be considered the whole country survey should be surveyed separately from the Annual Enterprise Survey, or whether the latter can be appropriately adapted to obtain the required information in this sector.

I. Royalties and license fees

These services are not covered by the GATS, but are included in the EBOPS categories. Data on royalties and license fees are not collected separately and are aggregated with many other activities in the ITRS system. It is not seen by the Government as a priority sector. The GSO should be cooperated with Ministry of Science and Technology for seeking the information of imports service, at once they should be maintained this question in survey form of AES for good estimation.

Recommendation

Although the wholesale and retail sectors are not included in BPM5 and EBOPS, the GNS W/120 does include the categories of ‘Commission agents’ services’ [under 271] and ‘Franchising’ [under 891] as shown below. It is recommended that later on the break-out shown below should be collected.

8	Royalties and license fees	266
8.1	Franchises and similar rights	891
9	Other business services	268
9.1	Merchanting and other trade-related services	269
9.1.1	Merchanting	270
9.1.2	Other trade-related services	271

K. Miscellaneous business, professional and technical services [273]

Many of the professional and business services included under this heading play a significant role in the economy as intermediate services with important synergetic effects on many other sectors of the economy. They can also be important for attracting inward FDI. Although in general this sector is not yet being given a high priority in the economic plan of the Government, a few sub-sectors are to be recorded separately as indicated below.

This category covers a number of services, including:

Legal [275], Accounting [276], Business and management consulting [277], Advertising and market research [278], Research and development [279], Architectural, engineering and other technical services [280], Agricultural, mining and on-site processing services [281], ‘Other business services’ [284], Services between related enterprises, n.i.e. [285]

The Ministry of Trade of Vietnam suggests that among the sectors listed in the GATS GNS W120 category **1 Business services** (MSITS page 161), the following should be focused upon:

* Rental/leasing services without operators is growing and should be considered.

* Among *Other business services*, the following services are considered of growing importance and should be considered for the collection of data in the Annual Enterprise Surveys:

- Advertising services [278]
- Market research services [278]
- Management consulting services [277]
- Services related to management consulting [277]
- Placement and supply services of personnel [284]

In BPM5 this category was one of three that comprised the residual *Other Business Services* category. In EBOPS it has been extended to seven sub-categories to provide much greater detail.

This is the largest extension in service components from BPM5 to EBOPS. For many countries, this is new territory and a difficult area for compilers of national accounts and the balance of payments.

As in the case of ICT services, the main requirement is to identify and capture the universe of the providers and purchasers of these services. This involves the updated register of businesses, particularly where the business unit is likely to be in the range of 0-5 employees. Experience elsewhere has shown that surveys of the professional services yield poor results, as response rates are notoriously low. In particular, legal, accounting and engineering services are provided by a number of small enterprises with poor reporting records, and a few large enterprises. Therefore general industry surveys bring little return. This also could apply in Vietnam to management consultancy services, which are to be collected.

The collection of data on business, professional and technical services has therefore to be approached through special pilot studies and occasional surveys, in order to build benchmarks of receipts and payments on which annual estimates can be based. Surveys sent to large firms providing these services might produce favorable response rates on legal and accounting transactions. Since a few large firms tend to account for the greater part of the international market, focusing on such firms is likely to be a more productive method of collecting the data.

L. Personal, cultural, and recreational services

L.1 Current Position on Statistics in Vietnam

Interest among the policy makers in Vietnam is growing in the potential for trade in well-being and health services, following meetings with other ASEAN Member Countries. The former Rector of the FTU is urging that data be collected on education services, which can now be traded more easily, and because Vietnam has a significant number of private sector providers, including those owned by foreigners.

Education has been growing in size and quality strongly over recent years, the GSO estimates that there are some 40,000 Vietnamese students abroad, but the number of foreign students in Vietnam is not known, though it is probably in the low 1000.

In the BPM5 and EBOPS classifications Education services are supplied between residents and non-residents relating to education, such as

- correspondence courses
- education via the internet

L.2 Recommendation

Collecting and aggregating these data with two aspects: production and BOP can implement by three steps: (a) statistics and update about enterprises; (b) standard study the characteristics of activities, some factors relations with receive collecting and estimation.; and (c) the aggregation to data by forecast methods, and generalize by annually based on refer to relationship data. Concrete:

- using definitions, coverage statistics by the *Manual of GATS*
- Updating enterprise registering and relevant sources, for example individual income tax
- Building the estimation method;
 - + Big enterprises survey, using to directly interview and correspondent member information
 - + Testing study, building measurement standard of estimation model and generalize.

Noting, the payments by students studying abroad can be deemed to have been picked up in the records of the ITRS under the *travel* category of BPM5. However the revision of BOM5 in 2008, this payment will be separated into educational service. Therefore the payment and consumption service for students studying abroad should be separated this item.

Nowadays, when there haven't the officially data source, we can be estimated through out data of the Ministry of Education and Training on the Vietnamese students studying abroad, coordination with other resource about index of students for import value, and separation learning fees.

L.3 Health services [896]

Well-being and “medical tourism” is growing fast in Thailand, Singapore, India and Sri Lanka. Among the ASEAN Member Countries Thailand attracts about 600,000 in 2004 and Singapore about 200,000.¹⁵

Health services include hospital services, general medical and dental services, laboratory services, and services of nurses, midwives and paramedical personnel provided by resident personnel to non-resident clients. Some of these services can be delivered ‘cross-border’ and others by visiting specialists, for example, medical and dental laboratory services. Where the user typically has to travel to another country in order to receive delivery of the service, this comes under the GATS Mode 2 supply.

the subsidiary components of the service: which can be delivered by cross-border supply (Mode 1), for example, through telecommunications (telephone, fax, internet, etc.), or by sending documents, disks and tapes by post. This would be the case of correspondence courses taken, or laboratory work and medical opinions or advice on treatment, for example, given over the internet. Or they could be supplied under Mode 4, by visiting specialists, whether as employees or on own account.

Health services [896], should comprise medical and dental laboratory services for which no movement of resident clients is involved. Those health services involving the movement of a non-resident client should be compiled as a component of *Travel [236, 241]*. The GSO and Ministry of Health should discuss the optimal system for collecting data about the foreign patients in Vietnam and estimation's fees of workers abroad patient, other Vietnamese patient in abroad...

Health – patients [EBOPS 241]:

As currently no information is collected by the Ministry of Health on the presence and expenditure of foreign patients in hospitals and clinics, it is recommended that this simple information should be collected by the Ministry as part of their annual statutory returns.

Health – doctors [896]:

The Annual Enterprise Survey will have to collect information on the export earnings of health services supplied by Vietnamese doctors, dentists and other health workers abroad and the import data will have to be collected from reports by the Ministry of Health on the Vietnamese doctors and other health workers abroad.

M Government services, n.i.e.

¹⁵ .Source: Associated Press article in *The Nation*, Bombay, India of September 7, 2005: “More Americans, Europeans are jetting off to India for cheap, high-quality medical care”

M.1 Government Services n.i.e. [291]

These services are not covered by the GATS, and furthermore their scope and definition are unclear. However, for statistical purposes they do appear in the EBOPS list. However, the coverage and content of this service is not clear.

In Vietnam, The SBV collected from the MoF, MFA, but the value is small and it is not meaning in strategy of developing to the trade in service in Vietnam. So that it should be maintained the way of its collection.

N. Note on Further categories

N.1 Distribution services [no EBOPS code]

Wholesale and retail services do not feature in EBOPS as the cross-border flows are classified as part of merchandise trade, however the sector may become an important feature for the Vietnamese FATS data.

A few large foreign retail firms already have joint ventures in Vietnam, including Metro (cash and carry) and Bourbon and another French firm...Tesco of the UK had applied for a license. Either Wal-Mart or Carrefour are present

The distribution sector is a major employer in all economies and in most countries accounts for the second largest proportion of GDP after either manufacturing or agriculture. In Vietnam the Trade Sector, which includes wholesale and retail services, produced 14% of GDP in 2004 and 36% of total services GDP. It might be that for retailing the ‘informal’ activities match the size of those recorded in annual surveys of registered enterprises.

Under the theoretical framework of the UN System of National Accounts (SNA93) “wholesalers and retailers are entities that purchase and resell goods with no or only minimal processing (in the form of cleaning, packaging and so forth). They supply a service to producers and consumers of goods by storing, displaying and delivering a selection of goods in convenient locations, thus making them easy to buy.”¹⁶ These are activities within the compiling economy. The IMF balance of payments framework, BPM5, follows the SNA93 structure and thus “the concept of market price in BPM5 is equivalent to the concept of purchaser’s price in the 1993 SNA because no wholesale, retail or transport distribution costs are involved.”¹⁷ The SNA purchasers’ price already includes the costs of any transport to the point of purchase and any taxes forming part of the price (including, for example, any customs duties, and VAT). Thus in BPM5 the traded goods products sold in the compiling economy form part of the merchandise trade, and do not feature in the services trade statistics. The statistical framework of The Manual on Statistics of International Trade in Services follows the BPM5 product classification in this respect and the Extended BOP Classification for Services (EBOPS) therefore does not include the wholesale and retail services embedded in the goods products. It does include ‘Commission agents’ fees’ earned by wholesalers under 9.1.2 ‘Other trade-related services’, code 271, and ‘Franchising’ fees under 8.1 ‘Franchises and similar rights’, code 891.

Under the GATS sectoral classification of trade in services (GNS W/120), ‘Distribution services’ include ‘Commission agents’ fees’ and ‘Franchising’ which need to be recorded separately. For statistical purposes the only significant activity falling under ‘Commission agents’ fees’ is that

¹⁶ Quoted in The Manual on Statistics of International Trade in Services, paragraph 3.29, page 33.

¹⁷ Ibid, paragraph 3.31, page 33.

conducted by wholesalers i.e “wholesale trade services on a fee or contract basis”¹⁸ of various products from potentially many sectors. The separation of this sector in service list, the GSO could supply data on goods trade relevant for the wholesale and retail sectors, should the services negotiators need to be advised about such volumes for Ministry of Trade. The relevance this content, in 2004 wholesale and retail services accounted for almost 13% of US GDP. The Economic Census on data for 2002 revealed that 3.3% of all sales by US wholesalers were exports, or about \$153 billion, and in that year wholesalers provided an average of 22 cents of distributive services for every one dollar in sales. Applying this average to their exports yields \$34 billion in distributive services embodied in the value of goods exported by US wholesalers. The figure is much smaller for retailers, and was estimated at under \$ 1 billion, with the two together totaling \$ 35 billion. On the import side, foreign firms provide similar services, and using the US averages (because there were no data for foreign distributive services), gave an estimate of \$ 60 billion, and thus a negative balance of payments figure of \$ 25 billion.¹⁹

N.2 Merchanting and other trade-related services [270]

N.2.1 Definition

In the *Manual* merchanting is defined “as the purchase of a good by a resident of the compiling economy from a non-resident and the subsequent resale of the good to another non-resident; during the process, the good does not enter or leave the compiling economy (changes in stocks held abroad by merchants are excluded from the estimation of *merchanting services*). The difference between the value of goods when acquired and the value when sold is recorded as the value of *merchanting services* provided. This activity was taken part by a lot of enterprise, specially enterprises of border provinces. The data of AES in 2005 and 2006 was reflected also in receipts from this service is high proportion in total business receipt value. However, the collection is difficulty cause of sensitive data. At moment, it included in service but it seems most likely that in BPM6 the services category of merchanting will be moved into the goods category. Anyway account for goods or service, we should counted separate privately and colleting from AES.

4.3. FATS datacollection, compilation and dissemination separately in using available data

The separation out of GATS FATS enterprises from the list of FDI enterprises should not present any problems, using the criterion of over 50% foreign ownership, and it is recommended that it be done as soon as resources permit. It will not comprise a very large group out of the almost 100,000 registered enterprises that are regularly surveyed.

Nearly all twelve inward FATS variables can be obtained from the Annual Enterprise Survey data.²⁰ The only further development of the AES reporting form needed is to collect the exports and imports

¹⁸ Ibid, see ‘Other trade-related services’, code 271, page 105.

[Note: One CPC code, 61281, for wholesale services is allocated to ‘Retailing services’]

¹⁹ “Improving Insurance, Wholesale, Retail and Financial Services Measures in FATS and Cross-border Trade”, Maria Borga, US BEA, April 2006, pages 20-25.

²⁰ The FATS variables which are presently collected by the Annual Enterprise Survey, apparently include the following:

Basic variables (the *Manual* paragraph 1.21)

		Question Nos.
1	Sales, turnover, output	Q 8, 21
2	Employment	Q 5
3	Value added	[derived from Q 8]
4	Exports and imports	Q 26 (not full EBOPS codes)
5	Number of firms	Q 1 (4 = ISIC code)

Further variables (the *Manual* paragraph 1.24)

of foreign affiliates by EBOPS categories and partner countries. The EU Experts designed an inward FATS survey form for the GSO to assist thinking on the best way to collect the data.

The survey must enable identification for each FATS enterprise of the ultimate beneficial owner and the country of residence of the UBO enterprise.

Perhaps a filter question should be inserted in the Annual Enterprise Survey to identify enterprises with FATS subsidiaries abroad, unless this list is already maintained by the MPI or MOF. Then a survey form should be developed to collect the outward FATS from this small set of enterprises. The survey must enable identification of the country of operation for each enterprise abroad.

4.4. The intensifying coordination with Ministries/Agents for using data source of system's records administration

Beside AES data, other report of records administration are very important for the counting trade in service in BOP:

- Report of Immigration Department about foreign visitor and Vietnamese aboard;
- Report of MoFA about receipts/payment of consulates/embassies in Vietnam and aboard
- Report of Ministry of Labor about the number of Vietnamese labour in aboard and estimation the labor's foreign currency send for family and connection.
- Other reports: Ministry of Education and Training about Vietnam students aboard or foreign students.

4.5. Need for the benchmark census on international trade in service

The SBV is responsible for the BOP reporting and is finding it difficult to obtain data at the detailed level of EBOPS, and in some sectors impossible. These increasing problems point to the need of SBV to use some special sector surveys and the Annual Enterprise Surveys as alternative sources for the data required to implement the EBOPS disaggregation, which is more detailed than the 11 sectors of BPM5. However, current data of service exports and imports based on SBV's reporting system and GSO's survey are not yet disaggregated by EBOPS and by major partner countries.

It is recommended that a benchmark census on international trade in service based on

- A questionnaire designed to collect more detail separately for each service catalogue using the Provisional Services Classification on International Trade in Services,
- The minimum set of partner countries suggested by ASEAN harmonization program for which data shall be presented was also proposed, initially including the AMCs, USA, EU, Japan, China, Republic of Korea, Australia, New Zealand, and India as first priority countries; and Pakistan, Canada, and Russia as next priority.

It should be conducted in 2008 or 2009 based on sampling frame of the Economic Census, which will be conducted in 1/7/2007 for use as the benchmark. Such a benchmark may be needed every five years, but possibly more frequently depending on the rate of growth of the major sectors. The faster the pattern changes, the more frequent the benchmarks are needed..

6	Assets	Q 7, 12, 13
7	Net worth	[derived from Q 7]
8	Operating surplus	Q 8.2
9	Gross fixed capital formation	Q 13
10	Taxes on income	Q 8, 9
11	R&D expenditure	Q 16
12	Compensation of employees	Q 6

This first benchmark census should be designed with the different survey forms appropriate to each service sector and included the detailed information about EBOPS categories and sub-categories as well as the partner countries. The results of this census will be overall picture on international trade in service of Vietnam as well as the foundation for the next regular surveys of the GSO.

Among service sectors, the first priority be given to a selection from the following sectors which merit special surveys, and their necessary frequency agreed upon, to maintain up-to-date imputations for years in which surveys are not carried out:

- ⇒ Transport by sea
- ⇒ Transport by air
- ⇒ Tourist and visitor expenditure for Vietnamese traveling abroad
- ⇒ Telecommunications services
- ⇒ Insurance services (to introduce the ‘smoothing’ methodology)
- ⇒ Financial services (to introduce the FISIM methodology)

The next priority will be:

Computer and information services – last surveyed three years ago, so a second survey may be carried out in 2007.

After that, it will depend on future government priorities and resources available.

Road, rail and inland waterways services
 Insurance and freight charges on merchandise trade
 Construction services (in the compiling economy, and abroad)
 Various ‘Other business services’, such as:
 Legal services
 Accounting services
 Architectural and engineering and associated technical services
 Advertising services
 Market research services
 Management consulting services
 Services related to management consulting
 Placement and supply services of personnel
 Research and development services
 Agricultural, mining and environmental services
 Various personal, cultural, and recreational services, including:
 Expenditure by students on education services
 Expenditure by patients on health services
 Expenditure by foreign visitors on ‘well-being’ services

Wholesalers and retailers in Vietnam do not engage in significant international trade in the sense of supplying services for exports and imports, and any imported merchandise that they sell in Vietnam is accounted for in the goods trade account. Data on their turnover and other indicators are collected under the statistical regime and Annual Enterprise Surveys.

This list of sectors is rather long and conducting surveys on all would consume considerable resources. The criteria for conducting special sector surveys should therefore be set first, so as to ensure they do not duplicate the collection of information by other regular surveys. It will also have

to be decided which agencies carry out the surveys, in order to supply the SBV with fuller EBOPS data, as well as supplying data for the national accounts and other purposes.

It is recommended that the SBV do not request special surveys for ‘Government services n.i.e. and rely on the aggregated data supplied by the Ministry of Finance because disaggregated information will not be supplied due to sensitive confidentiality reasons. Such services are not part of GATS trade negotiations, and the BOP data are unlikely to influence foreign and military policies.

As for surveys on cultural and recreational services, data on state activities (SOEs) should be available from administrative returns. It would be difficult and expensive to identify the individual actors, artists, musicians and others in this category by undertaking surveys. Since their imports and exports are probably very small currently, it would not be good value to spend time on a special survey. However, perhaps the forthcoming economic activities census might turn up some information on private sector suppliers in this sector.

4.6. Allocation of EBOPS data to the four GATS Modes of Supply

The initial method of allocation of EBOPS data across the four GATS modes of supply, here recommended, is based on the lines shown in the *Manual* and set out in Section 3.1.2 above. This is not a complex or demanding task, and could easily be performed either by the GSO or SBV for the MOT and other interested agencies.

However, this should be postponed until the underlying data are sufficiently reliable.

4.7. Establishing the Meta-data records and their publication

At present the GSO publish annually a 660 page compendium entitled “The situation of enterprises through the results of surveys conducted in [years²¹]” with the text in Vietnamese and English. The turnover and other such data do not separate the production of goods and services. Exports and imports are not shown. Although many of the variables recommended in the *Manual* for measuring the contribution to production of foreign affiliates are collected from them (ie the FATS data), such data has not yet been extracted and is combined in the published data with all other enterprises. There are also quarterly and monthly publications of the above data in varying degrees of aggregation, alongside many other social indicators.

The GSO plans to publish the service sector data separately, in order to comply with the recommendations of the *Manual*, at first on an annual basis. However, before this can be achieved they have to be satisfied on the consistency and statistical reliability of the survey results, which could take a few years of experience. From the results of the first two years of data collection by the Annual Enterprise Survey of services exports and imports the data quality is rather low, especially for the imports of services. This is to be expected at an early stage, and the data for the second year showed improvements over that for the first year. Thus the GSO sees a priority in improving the collection system for services which will involve an increase in human resources.

It is a government requirement that the EBOPS and FATS statistics conform to the regulation on the general statistical work programme for the compilation of data on an annual, quarterly and in some cases on a monthly basis, for the use of the various Ministries and other agencies with responsibilities for the services sectors, and to publish such information. Given the heterogeneity of services sectors and the need for a range of special surveys, it is clear that an increase in the budget for data collection and processing will be needed. At first also this could necessitate applying for

²¹ The 2006 version gave data for 2003, 2004 and 2005.

donor aid to cover technical assistance inputs from sector experts and for extra human resources in the central and provincial GSO offices.

Given the large increase in data on services that will progressively be collected under the framework of the *Manual*, it should be considered whether a separate book will be needed to publish the EBOPS data, with the appropriate accompanying commentary.

Reporting by Vietnam to the IMF on services balance of payments data should aim at first to be under the 11 main categories of BPM5, and when BPM6 is published these categories will call for more of the EBOPS detail. Given the present situation of Vietnam on services statistics it may be possible to report some more detailed EBOPS data for certain sectors before the BPM6 comes into force.

The GSO also published in 2005 a book entitled “Results of tourism expenditure survey in 2005” which gave the data from the 2003 and 2005 surveys of international visitors to Vietnam and Vietnamese who traveled away from their home area within Vietnam. At present no information on the expenditure of Vietnamese citizens traveling abroad is collected, and surveys are planned on visitors returning to Vietnam and on travel agencies which organise tours abroad for their local customers.

No doubt over time these surveys will be able to publish data along the lines recommended by the UN World Tourism Organisation, and in accordance with the forthcoming revised edition of their Tourism Satellite Account (TSA) manual. The development of a separate TSA for Vietnam must await the completion of other more urgent survey systems, and would anyhow require a major increase in workload.

Meta-data records and their publication

It is recommended that consideration be given to the compilation of a full compendium of meta-data information on the collection and compilation of services statistics, which can form the basis for the relevant parts of the standard ‘Special Data Dissemination Standard’ (SDDS) reported to the IMF and available on their Dissemination Standards Bulletin Board. This format includes brief descriptions of data coverage, periodicity and timeliness; access to the public; integrity; and quality.

Consideration might also be given to the publication of a document, in relation to EBOPS data collection, along the lines of the UK “International trade in business services – survey description and methodology” (2001) a copy of which was passed to the GSO. Another useful source on what meta-data to record might be the Eurostat “Balance of Payments Vademecum – update June 2006” which is on their website.

A Vietnamese compendium of meta-data could also be of value in the context of the new ASEAN statistics working group which will be developing sampling frames for surveys, and the development of survey-based methodology including for EBOPS and FATS data collection.

4.8. Studying and developing the method of proxy and estimation data based on the different data sources

Practical experiences in some countries having the developed statistical system shows that sometime it is difficult to measure the data of international trade in service based on data collecting and calculating directly. It is caused by the wide coverage, complex and the sensitiveness of data collections. To measure the value of travel exports/imports value or insurance/freight of imported goods are the examples. In some cases as the transportations or financial services, the proxy or estimation method is necessary through relating vectors as volume and price...

It is recommended that the method of data proxy/estimation should be studied and developed to use in compilation statistics of international trade in services. Also, international co-operation on data exchange among partner countries through mirror method is very useful.

SECTION 5
RECOMMENDATION ON SERVICES CLASSIFICATION USED FOR THE
STATISTICAL REPORTS AND SURVEYS

5.1. Revisions of the relating classifications

5.1.1 Vietnam Standard Industrial Classification of all Economic Activities (VSIC)

At present, the VSIC 93 stipulated by Decree No 75/CP (in which the services sector appears in activities 7 to 20) are using for statistical surveys and other purposes. This set of codes for industrial activities is used for surveys such as the Annual Enterprise Survey and the Individual Business Enterprise Survey. Although based on ISIC3, there were some variations that made the codes not strictly comparable with ISIC3 (which has also been noted as a problem in the ASEAN context) and consequently it is due for revision.

Following the approval of ISIC4 in March 2006 at the UN, recent work at the GSO produced a new classification based on ISIC 4. It is called the “Vietnamese Standard Industrial Classification – 2007” (VSIC 2007) and the structure was signed and issued by the Prime Minister. The GSO has prepared the explanatory notes to dissemination to official agencies and the public. It will be used for business registration and business survey coding from 2007, including for the Economic Census.

VSIC 2007 is based mainly on ISIC 4. and harmonization with ASEAN common classification and features detailed sub-codes at the five-digit level for greater disaggregation in the following services sectors:

- G. Wholesale and retail trade; repair of motor vehicles
- H. H Transport and storage
- I. Accommodation and food service activities
- J. Information and communication
- K. Financial and insurance activities
- L. Real estate activities
- M. Professional, scientific and technical activities
- N. Administrative and support services activities
- O. Public administration and defence; compulsory...
- P. Education
- Q. Human health and social work activities
- R. Art, entertainment and recreation
- S. Other service activities

VSIC 2007 contains variations from ISIC4 in five places (a net addition of four codes at the ‘Group’ level) because of ASEAN requests as 073 ‘Mining of precious metal ores’; 492 to 494: one code added to provide more details on land transport; 552 has been omitted (camping grounds); 854 and 856: one code added to show more education levels; 960 to 963: two codes added to provide more detail on personal services activities

ISIC4 is not compatible with ISIC3, but the ICFA classification for services in the *Manual* is based on ISIC3. Thus, before VSIC-06 is used for the FATS data collection surveys and compilation of reports on services, a detailed correspondence table should be constructed to retain international

comparability with ICFA for reported data. This is especially important because the FATS services exports and imports are classified by EBOPS products and partner country. Where partner mirror data are compared for any discrepancies (for example, in the ASEAN context), adjustments for differences in classification have to be made first before other causes can be identified and the data reconciled. The construction of the correspondence table should not be a major exercise and presumably could be completed by early 2007.

It is recommended that VSIC 2007 be implemented as the services activities classification.

5.1.2. Vietnam Central Products Classification

At present, Vietnam is applying the Provisional Central Product Classification (PCPC) down to the five digit level that was adopted in 1996 by the UN for Vietnam Central Products Classification (VCPC) issued in 1997. After finishing the revision of VSIC 2006, the GSO has plan to revise VCPC based on CPC 2., which was adopted by UN in 2007. The new VCPC is expected to submit to The Government for issuing during the year of 2008 and it will be used for statistical reporting at the products side.

5.2. Classification used for the statistical reports and surveys on International Trade in services

The GSO has produced a classification of services products needed to implement the EBOPS balance of payments data collection and compilation recommended in the *Manual*. It is called “The Vietnamese Service Classification for International Trade” (or VSCIT) (*see annex 3*)

Where Vietnam has priority sectors requiring further detailed disaggregation, this has been readily accommodated and CPC 1.0 codes used to identify the consequent VSCIT 5-digit codes. This new version is expected to come into force during 2007.

Vietnam intends to follow the advice given in the *Manual* which states: “the highest priority is given to the development of statistics on international trade in services at the level described in BPM5. Following this, compilers should work towards disaggregation of these components to the level specified in EBOPS, but in an order that reflects the economic significance of the various services components to their economies. [] compilation of the memorandum items should be carried out where the data are available as a by-product of the compilation of the related EBOPS components, or where their importance to users has been identified.” (The *Manual* paragraph 3.34, page 33).

EBOPS-level data should be produced on an annual basis, consistent with and reconcilable to quarterly data at a more aggregated level (see paragraph 3.35, page 33).

A few of the EBOPS services categories include goods purchases. The goods values should be kept separate in order to reconcile the services account with the merchandise account in the balance of payments. These categories are: transport (purchases in ports), travel, construction and government services. The processing, repair and maintenance of goods services, in the ‘Other business services’ category, might also give rise to potential double counting which should be monitored.

The *Manual on Statistics of International Trade in Services* (the *Manual*) sets out the overall framework of international standards to implement for services statistical indicators and reporting. This should be followed by the statistical system in Vietnam in relation to services trade and FATS data compilation.

The *Manual* recommends that its international classifications be followed for balance of payments purposes and for recording the activities of foreign affiliates. These are respectively, the Extended

BOP Classification for Services (EBOPS), which is a disaggregation of the BPM5 11-sector classification, with minor variations, and ISIC Categories for Foreign Affiliates (ICFA), which is a sub-set of ISIC3. The ICFA codes vary from the ISIC codes, and so the *Manual* provides a correspondence between the ICFA and ISIC3 codes, and both with EBOPS. These classifications should be observed by the Vietnamese statistical system.

As noted above in Section 4.2 the GSO has been drafting a classification of services products needed to implement the EBOPS balance of payments data collection and compilation recommended in the *Manual*. It is called “The Vietnamese Service Classification for International Trade” (or VSCIT).

Where Vietnam has priority sectors requiring further detailed disaggregation, this has been readily accommodated and CPC 1.0 codes used to identify the consequent 5-digit codes.

It is recommended that the VSCIT should be used for statistical reports and survey in Vietnam.

PART III
KEY RESULTS OF THE TEST ACTIVITIES TOWARD RECOMMENDATIONS

SECTION 6
DRAFTING OF THE VIETNAMESE SERVICE CLASSIFICATION FOR
INTERNATIONAL TRADE

6.1. Introduction

Implementing the responsibility pointed out in the Direction 49/2004/CT-TTg dated 24/12/2004 by Prime Minister on services activities promotion in the National Plan of Economy and Social Development for 2006 – 2010 stage and following recommendations mentioned in section 5, the GSO has produced the Vietnamese Service Classification for International Trade. Generally, this classification has been drafting based on the Manual recommendations and the framework of ASEAN harmonization program on international trade in service statistics to implement the EBOPS balance of payments data collection and compilation

At present, the drafted structure of the VSCIT was produced by the GSO as the second draft and sent to some relevant agencies to collect their feedbacks at the end of 2006. All feedbacks are studying for revising in the final draft. The GSO also has been preparing the explanatory notes for VSCIT since January 2007 for submitting to the Government with the classification Structure.

6.1.1. Purpose

The VSCIT is intended to be a Vietnamese classification of services products by services categories on international trade. This classification will be intended to apply in the service classification activities under the following areas:

- International trade negotiations
- Government planning and managing on trade in services
- Statistical activities of international trade in services
- Investment, research and business activities on service sectors

The VSCIT is designed based on the following basis:

- Vietnamese current service activities and service classification.
- EBOPS classification and correspondence with CPC1.
- CPC Version 1.0
- WTO service classification (GNS/W/120 – using for correspondence table)
- Manual on Statistics of International Trade in Services

6.1.2. Principal

The VSCIT classify all service products by service categories on international trade in services (except the case of travel services) based on the nature of service products and industry produce them, so same service products, which are produced by deferent industries, will be classified into the deferent industries.

6.2. Draft of Structure and coding system (see Annex 2)

6.2.1. General structure

EBOPS and GNS/W/120 lists relate directly to international trade in service, its role is "main lists" which are using very wide in statistical offices, international organizations, negotiators. A question make in here that: the structure of trade in service in Viet Nam should be based on what a list?

Considering the different between two lists (above), we can choice EBOPS because of reasons under:

- The performing the recommendation of Manual which UN and international organizations approved, the method of statistical trade in service using EBOPS list, at once EBOPS list was selected by ASEAN for ITS in ASEAN.
- EBOPS list can harmonized with GNS/W/120
- The scope of EBOPS list is large more than GATS: mention in transactions of none trade (ei: government service)
- EBOPS list satisfies almost requirement of 4 modes in GATS, like table under:

Catalogue of BPM5	Comparison with GATS		
	Coverage	Detail level	Mode of supply
1. Transportation	V	X	1
2. Travel	X	X	2
3. Communication	V	X	1
4. Construction	V	X	3
5. Insurance	V	X	1
6. Finance	V	X	1
7. Computer and Information	V	X	1,4
8. Royalties and license fees	V	X	1
9. Other business services	V	X	1,4
10. Personal, culture and recreational service	V	X	1,4
11. Government services, n.e.s	X		

*Note: (V) - satisfying to requirement, (X)- do not satisfying to requirement or one part
Mode of supply: (1) cross-border supply; (2) consumption abroad; (3) commercial presence; (4) presence of natural persons.*

Meanwhile, the purpose of GNS/W/120 is only negotiations so commercially service is involved in catalogue and in some cases it don't satisfies statistics purpose by BOP and SNA.

The VSCIT list of Vietnam cover all service products classified into 11 service categories (except travel services) and coded to 5 digits with appropriate description as follow:

- First digit: indicate 11 kind or category of service following BPM5:
- From the second to fourth digit: indicate service subcategories or items with 39 subcategories group 2 digit, 104 subcategories group 3 digit and 436 items group 4 digit
- Fifth digits: 690 indicate service products

6.2.2. The special service categories

The VSCIT include two special service categories are travel and construction as follow:

- Travel service: is defined in the international trade in service including all expenditures on goods and services which paid by visitors when they visiting other countries. On the other side travel is not considered as an economic industry and it is not produced any goods or services. However in order to indicate the whole of service classification suitable for BOP,

SNA and GATS purposes, it is necessary to present the goods and service products which contribute into the value of travel services exports and imports .

- Construction: is dividing into two subcategories “Construction abroad” and “Construction in the compiling economy” according to the EBOPS. So the same structure is used for each subcategory with the differences about the codes.

(The list structure detail refer to annex 2)

6.3. Plan of issuing

The GSO is responsible for designing the VSCIT and submitting to the Government. It is expected that the VSCIT will be adopted and issued by the Government in order to use temporarily in next few year with two reasons:

- For international statistics, the relational lists as ISIC v.4.0; CPC 2.0; EBOPS 2008 and Manual of ITS just issue or revising to suitable with developing fact of service activities and new guide about statistical methodology.
- For Vietnam, VSIC 2007 just revises and issues, VCPC will revise in 2008. The revision of lists (mention above) will effect directly to content and compatible of this list. On the other hand using the list in fact will more conformable. After 2008, the relation-lists and Manual book will complete then this list will check and complete for officially issue

SECTION 7
GSO SAMPLE SURVEY ON INSURANCE PREMIUMS AND FREIGHT
CHARGES ON IMPORTED GOODS

7.1 Description of sample survey and questionnaire

To conduct the sample survey on Insurance (I) and Freight (F) on imported goods is one of the important activities toward implementing the recommendation. This sample survey was done by the GSO based on the working programme and joint study on survey method between the EU and National Consultants during the run of SERV-5 activities

7.1.1 Purpose of survey

The purpose of the survey was to collect data from selected enterprises on insurance premiums and freight charges on goods imported into Vietnam during 2005. The information will be used to calculate an estimate of the average ratio for the total of imported goods in that year. The survey aims to meet the data requirements for the balance of payments and provide data for other statistical purposes.

This purpose follows standard practice, as recommended by the UN and IMF, and the relevant references in the SNA93 and BPM5 are given in Annex NN, together with an extract from the current draft of BPM6. A consistent approach to processing, timing and exchange rates of transaction values (ie not market prices) is important.

7.1.2 Object, scope and units of survey

The 'universe' of enterprises from which the sample for the survey was taken was the total of those with a tax code in all sectors that imported goods in 2005. The actual sample was conducted on enterprises in twelve Provinces and Cities.

The imputation to be carried out to derive national totals will need to assess how representative the geographical sample areas are of the whole country.

It is not necessary to consider separately any entrepot trade or goods imported for processing and subsequently exported, which are negligible, nor any special features of container trade which is likely to grow relatively fast.

7.1.3 Survey: dates undertaken and period covered

Data was collected from selected enterprises between 1st and 15th August 2006, and the period for reporting imports was the calendar year 2005.

7.1.4 Content of survey questionnaire

The following indicators were requested in the survey form

Name of enterprise

Tax code

Address

Value of imported goods on both FOB basis (the GSO filled in the CIF value)

Commodity groups and items

Commodity groups and items codes

Country of export

Mode of transport

Insurance premiums (either value or ratio) (I)

Freight charges (either value or ratio) (F)

Sum of insurance premiums and freight charges (= I + F)

Each enterprise was asked to report for all its separate establishments, even if they are not in the same Province. The VSIC industry classification of each enterprise was not included on the form.

7.1.5 Method of survey

The sampling method was selected to ensure that all enterprises were covered in the selected geographical areas that had “a significant value of imported goods in 2005.” This was evaluated, using General Customs Department (GDC) data, to constitute the firms considered to account for between 80% and 90% of the value of goods imports in each Province. Lists of these firms were sent to the twelve PSOs which were instructed to send the questionnaires to all firms on these lists.

Although the pilot survey did not cover the entire country of 64 Provinces, the sample constituted a significant proportion of the entire list in each of the 12 selected Provinces, which should be sufficiently representative.

The GDC figures were used for the initial selection, and the reported data from firms varied somewhat around them. The final estimation of the I&E levels on imported goods will be based on the ratios revealed by the survey applied to the GDC figures. The values obtained from the survey do not have to be reconciled with the Customs declarations held by the GDC.

Detailed guidelines were given to enterprises for the completion of the survey form.

7.2. Data Compilation

The GDC data on import values was only used to select the enterprises to be surveyed.

Indicators will be compiled from the data collected, derived from the total value of imports provided by the respondents, as follows:

- Value of imports sampled as a ratio of total import values, and the CIF and FOB ratios derived from the sample to be applied to national total import values
- Separate calculation of the ratios for oil imports
- Calculation of the insurance and freight charges ratios on reported total values of non-oil imports, by mode of transport, and the average ratios on the main product categories of imports, to derive weighted average ratios, further disaggregated by the countries from which the imports were sent

- Estimate of the total insurance and freight charges for each commodity group, on the basis of their ratios for the overall total import CIF values of each group.

7.3 Processing results from the survey

The results of the survey data collection exercise are still being processed and only general comments can therefore be recorded.

The sample survey was carried out in 12 Provinces and GDC data on firms importing goods was used to select those firms which in total accounted for between 80 and 90% of the total in each province. Although the cut-off values were quite different between Provinces, the total value obtained from the results probably accounted for about 84% of the country total imports, which should be adequate to meet statistical standards.

The total on the survey list was 4,740 enterprises, of which 3,721 responded. Useful information could be extracted from 3,209 forms ie 67.7% of the total, or 86% of the responses – though in HCM City the response rate was 46%, only about half the rate in Hanoi. The total import values in Hanoi were about \$10 bn and in HCMC \$12 bn. In the Provinces with smaller imports, the response rates tend to reflect the prevailing relationships of PSO staff with the enterprises in their area.

The survey took two weeks and the number of firms to be contacted depended also on the budgeted costs in each Province. The PSOs then sent back the completed forms to the GSO, where the TSPD staff entered the information and used their own software to check for errors. It is probable that the proportion of the imports value carried by ships is over ten times that imported by air, with road transport accounting for a very small percentage. Three seaports account for over 90% of the imports by sea: HCMH, Hanoi and Da Nang in that order. There are no dedicated ports for grain, oil, iron ore and so on. There is no entrepot trade to allow for.

The questions were not specific as to which seaport or airport the imports came through, so that aspect is not a relevant factor since the imports could have entered through any port in any Province, of which there are a few in each of the Provinces not surveyed.

There were no ‘missing’ enterprises as only large ones were surveyed. If enterprises had branches in different Provinces these had to report to their HQ from which the data were collected, so there was no double counting.

Once the full results have been tabulated, checked and assessed, it will be necessary to study further whether the enterprises in the survey that did not respond constituted a systematic bias by commodity groups. In particular, because more than half those in the 1,750 sample in Ho Chi Minh City Province did not respond, it should be studied whether there was a systematic bias in comparison with the Hanoi Province group total of 1,250. If this were to be the case, then when the data for the HCMC Province are grossed up to impute for non-respondent information, it could distort the country total, unless a correction is applied.

At present, all results of survey are produced and will be used for estimating Insurance and Freight Charges in all imported goods of Vietnam by GSO and SBV (*see Annex 2*)

7.4 Initial Conclusions

The pilot survey had a clear and straightforward objective. There was sufficient coverage of enterprises and the value of imports covered is adequate at 84%. The dominant mode by far is shipping. The ratios derived can be used on future GDC data weighted by product, and by partner

country. The disaggregation by goods products is reasonable for future use because the list of products was based on a good idea of the most frequent imports under the nine main categories.

Since the shipping mode is so dominant for imports, any mode differences between HCMC and Hanoi, the second largest importing Province, will not be significant, so the commodity group differences between the two should be checked (first at the 9 category level). If they are consistent, perhaps there is no problem. If there are differences, then the commodity group and partner country data should be checked in more detail, to see if there is a common-sense way to allow for the observed discrepancies.

Pending a thorough check on the data, it appears that whereas SBV currently use the standard 10% deduction ratio on CIF values of imported goods for the I&F charges (as mentioned in BPM5), and assumed that 80% of this was purchased from non-residents. These figures will have to be adjusted, which will likely increase the goods imports value and reduce the services import value.

On goods exports there could be expected that there would be a difference in the ratios between insurance and freight charges (compared with those on imports), because relatively more insurance is probably purchased from resident firms in Vietnam, than on shipping services purchased from resident transport firms, due to the larger foreign shipping lines that probably transport much of the Vietnamese products to foreign countries.

In the meantime, perhaps the import ratios will have to be used on the export values until the GSO can design and carry out a special survey on the exports. This task may be more difficult to achieve successfully because the insurance premiums and freight charges on exports made by Vietnamese enterprises vary according to customer relationships, relative size of annual business, shipment loads, types of product carried and distance transported. Shipping agents, as well as insurers and transport enterprises, keep this information as commercially confidential and will probably see it as too sensitive an issue to divulge in such surveys.

SECTION 8

GSO ANNUAL SURVEY ON INTERNATIONAL TRADE IN SERVICES

The Annual Enterprises Survey was conducted by the GSO as the first time at 1/4/2002 for data in 2001. This survey collects information annually, from all types of enterprises that are registered under certain laws, in every sector. The data are used for the purposes of compiling the national accounts, industry statistics and statistics on specific sectors, to supply the needs of government agencies and to provide sector data on an internationally comparable basis.

In 2005, a new question was added for 2004 on exports and imports of the major services sectors (other than air transport and travel) (Question No. 26 below) with the explanatory notes for instructing the statisticians in enterprises to understand and to fill in the questionnaire. This question in the 2006 survey for 2005 data included a slightly revised list of services sectors and was accompanied by detailed guideline notes on the sector classification and what transactions constitute imports of services. The survey form will be used again, unchanged, in 2007. It will probably be a few years before the data quality can be relied upon to publish detailed EBOPS sectoral results.

Through two years this question was filled by the enterprises, the GSO recognized that generally, it is difficult for them to measure service exports and imports in almost although the training workshop was organized for statistician in PSO before conducting the survey. However, such training workshop was not organized for statistician in enterprises because of the budget limitations. In addition, the official statistical regime on international trade in services is not issued while this is a new, complex and sensitive statistical area. So although the results of the survey in 2006 for data of 2005 have some improvement in the quality of data collected but the results was still not so good. The survey reality show that imports of services should, however, be carefully discussed, as many firms may not be aware that some of their purchasing transactions constitute 'imports', so presumably the form would call for information about purchases made in foreign currencies, including over the internet.

Key indicators are collected and compiled from this survey as following:

- Number of Enterprises having service exports/imports activities by Province/City
- Number of Enterprises having service exports/imports activities by economic sectors
- Number of FDI Enterprises having service exports/imports activities by VSIC
- Employee of Enterprises having service exports/imports activities by economic sectors
- Value of service exports by EBOPS categories
- Value of service imports by EBOPS categories

Beside above key indicators, this survey can provide the detailed data which are broken down in to the different purposes if the data quality and the respond rate are improved

Q.26. Ex-import of services in the year

	Code	Export (revenue)	Import (expenses)
Total	01		
<i>(01=02+06+09+13+14+17+18+19+26+29)</i>			
1. Maritime transport <i>(02=03+04+05)</i>	02		
1.1. Passenger transport	03		
1.2. Freight transport	04		
1.3. Other maritime services	05		
2. Road transport <i>(06=07+08)</i>	06		
2.1. Passenger transport	07		
2.2. Freight transport	08		
3. Post and telecommunications <i>(09=10+11+12)</i>	09		
3.1. Postal services	10		
3.2. Telecommunication	11		
3.3. Courier	12		
4. Construction	13		
5. Insurance <i>(14=15+16)</i>	14		
5.1. Insurance for exported goods	15		
5.2. Other insurances	16		
6. Finance	17		
7. Computer and information	18		
8. Business services <i>(19=20+...+25)</i>	19		
8.1. Merchanting transactions and other business service	20		
8.2. Rent or lease service	21		
8.3. Legal, accounting, auditorial and consultative service	22		
8.4. Advertisement and market research service	23		
8.5. Architectural and technical service	24		
8.6. Other business services	25		
9. Individual, cultural and entertainment service <i>(26=27+28)</i>	26		
9.1. Educational service	27		
9.2. Others	28		
10. Royalty and license fees and other services	29		

Data collected from the survey in 2006 for the year of 2005 presents the main status on exports/imports of the enterprises by economic sector:

Tables 5 - Service exports/imports of the enterprises through the AES of 2006

	Total	Of which		
		SOEs	Non-SOEs	FDI
1. Number of Enterprises having ex/im activities	472	57	223	192
By VSIC:				
- Agriculture and Forestry	2			2
- Manufacturing	86	7	41	38
- Construction	13	3	8	2
- Wholesale and Retail trade	111	7	101	3
- Hotel and Restaurant	5	1	1	3
- Transportation, storage and communication	86	32	42	12
- Financial Intermediation	14	3	3	8
- Real estate, renting and business activities	150	3	26	121
- Education	4		1	3
- Cultural and sport activities	1	1		
By big Provinces and Cities				
- Ha Noi	119	16	73	30
- Hai Phong	31	4	25	2
- Dong Nai	16		10	6
- Ho Chi Minh City	224	22	64	138
2. Number of Employee of Enterprises having ex/im activities (1000 persons)	184	140	17	27
3. Services Exports Value by enterprises ²² (Mil.USD)	576	411	39	126
4. Service Imports value by enterprises ⁷ (Mil.USD)	153	91	49	13

It is recognized that the number of enterprises having services exports/imports activities and other data seem to be under coverage. The main reason is mentioned above referring to the misunderstanding of statistician in enterprises as well as PSOs.

For the few next years, the GSO will continue to use this questionnaire in the AES with more details on the guide notes. These data will be used as the supplement data source together with current data for measuring some service categories as business service, computer and information, royalty and license fees...

²² Not included travel, sea-port services, air-transportation, government services...should be collected from other data sources

SECTION 9

ANNUAL SURVEY ON EXPENDITURES OF INTERNATIONAL VISITORS

9.1. Introduction

In the recent years, the Viet Nam tourism statistics has significantly developed with some achievements:

- The number of foreign visitor has been recorded monthly, quarterly, annually and classified by main purpose of visit (press, tourism, business, relation, conference...), by means of transport (airline, sea, and road) and by visitor's nationality.
- *The source of data and method:* The information that collected from declarations, records of inbound and outbound people at border of road, airport, and sea and railway are daily entered in and consolidated by the Department of Immigration and Frontier defense agency and then monthly one time reported to GSO as well as Ministry of Security and Ministry of Defense in the form of following report.
- Several surveys of visitor's expenditure conducted are at selected accommodations below:
 - a. In 2003, the sample survey of expenditure of tourists that were conducted by the GSO with the sample size is 7.000 foreign visitors at selected accommodations, where they were staying in.
 - b. In 2004, the sample survey of expenditure of tourist was conducted by Viet Nam National Administration of Tourism with the sample size is 7.000 foreign visitors at the selected airport, where they was preparing to leave from.
 - c. In 2005, the sample method of sample survey are conducted by the GSO with the sample size is 8.500 foreign visitors for 2005 and 9200 for 2006.

9.2. Survey results and using for calculating value of travel service exports

Based on the data collected from above survey, the GSO have calculated tourism exports value since 2004 by multiplying the number of foreign visitors (collected data from the Department of Immigration) to average foreign visitor's expenditure quarterly and annually, this statistics are using for both GSO and SBV. Currently, tourism service exports contribute a highest portion in the total services exports of Vietnam with over 50 percent: 1.95 USD billion for 2004, 2.3 USD billion for 2005 and 2.85 USD billion for 2006.

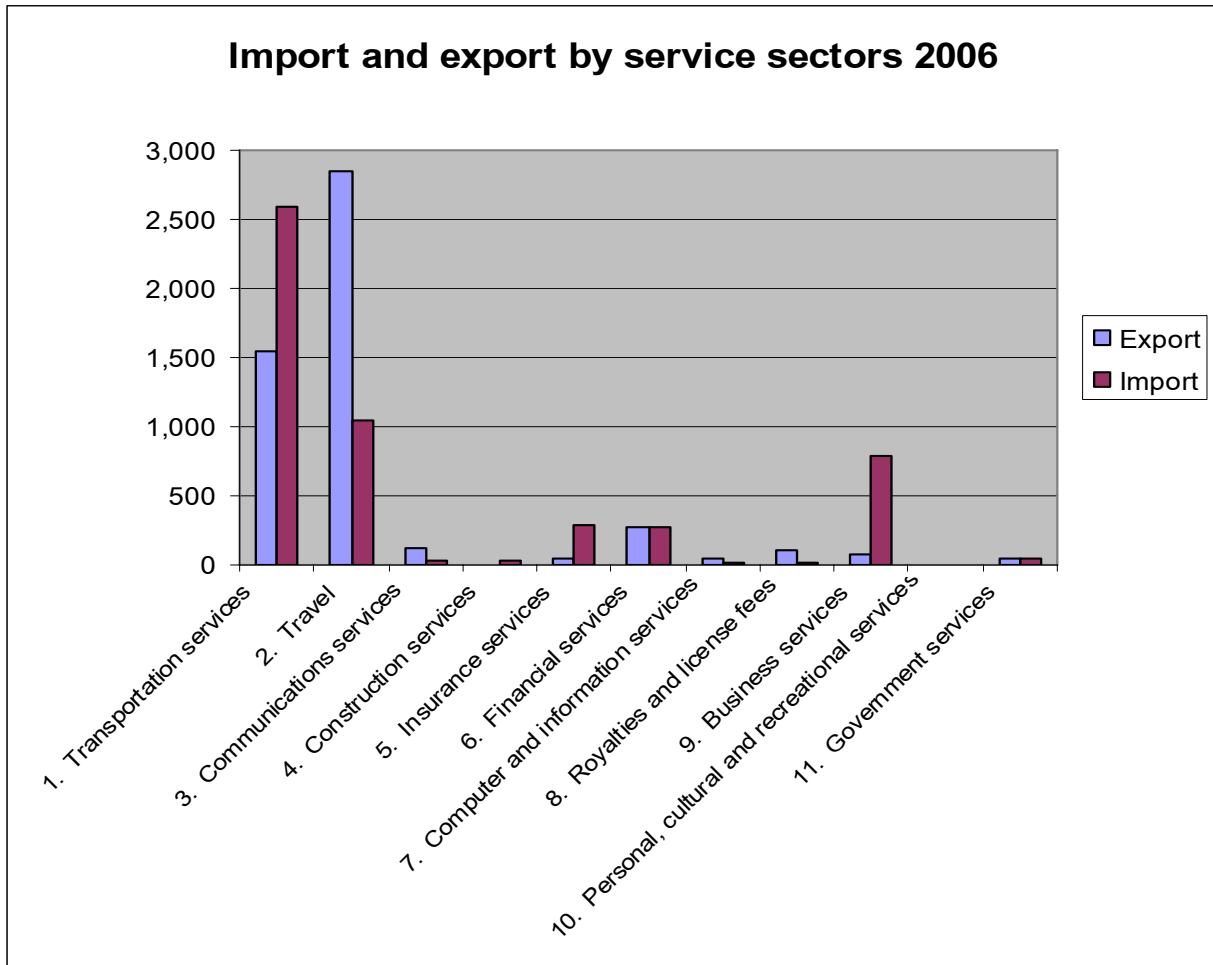
At present it should be focused to more study on the method of extrapolation, to improve the immigration data and other issues in order to get the precise information.

9.3. Shortcomings of Viet Nam tourist statistics to be improved

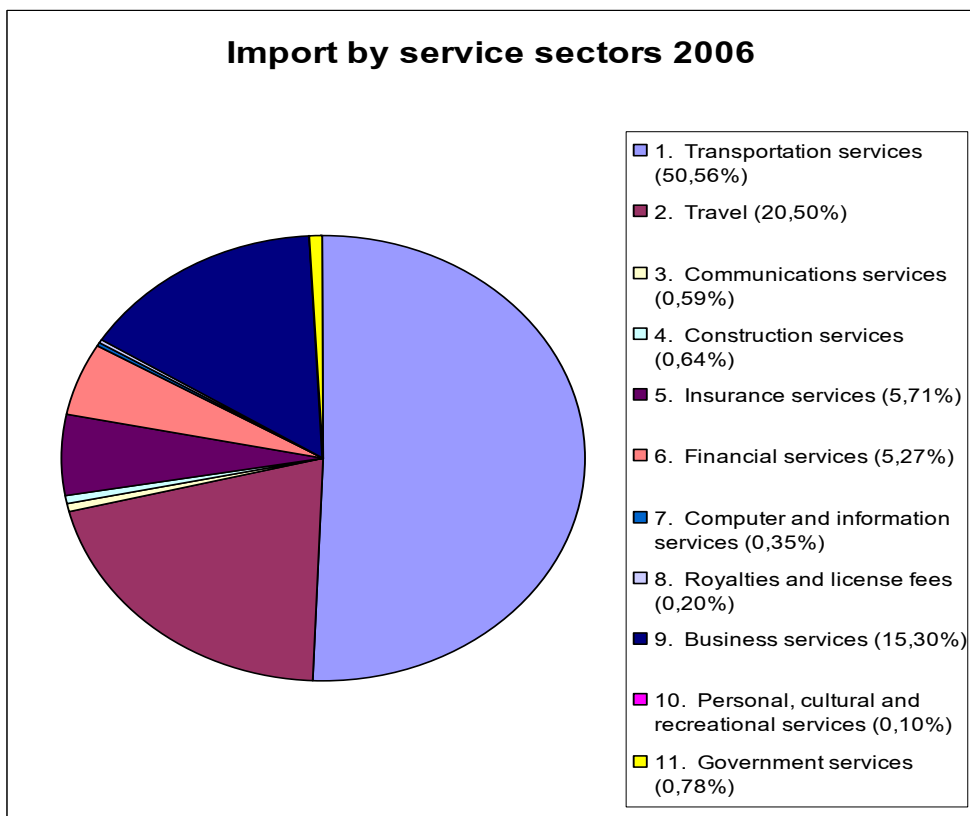
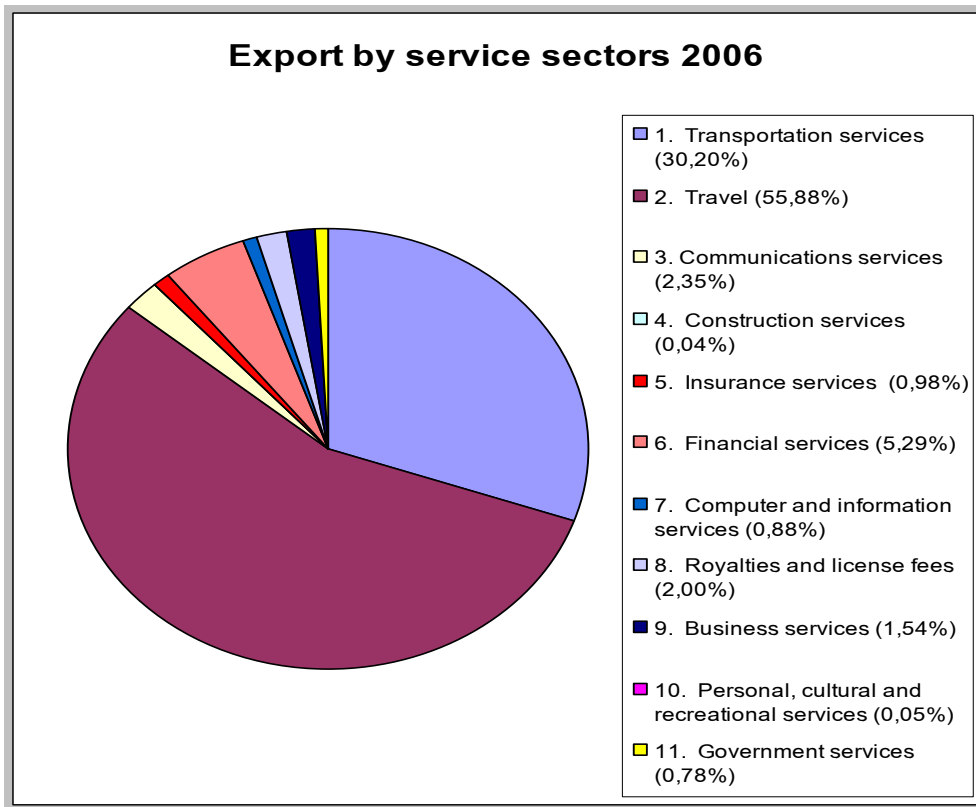
- Researching and improving the report of the number of immigration people to be suitable and satisfy user's demand better;
- Researching and organizing the survey of the number of visitor traveling during the day (same-day travel);
- Researching and organizing surveys of system of tourism spots;
- Researching and organizing survey of outbound visitor's expenditure;
- Viet Nam Tourism Satellite Account System needs to be set up.

SECTION 10
USING THE CURRENT DATA SOURCES FOR COMPILING AND DISSEMINATING
SERVICE EXPORTS/IMPORTS STATISTICS IN 2006

Based on the results of test activities and other current data sources of the GSO, SBV, the GSO estimated service export/import data for the year of 2006, which were breakdown to 11 sub-category following BOP classification. It is considered as the important step for measuring this data for the next few years



The sector structure of Vietnam's services imports and exports is as follows (2006):



**PART IV
PRIORITY ACTION AND FUTURE TECHNICAL ASSISTANCE**

**SECTION 11
PRIORITY ACTION FOR THE NEXT FEW YEARS**

11.1 For implementation by the GSO

11.1.1 Recommendations for priority sectors according to Directive 49 of the Prime Minister

The surveys designed for the major six priority service sectors must be implemented urgently in order to identify their exports and imports to partner countries and trade between affiliated enterprises. These sectors are: transport by sea and air, tourist and visitor expenditure, telecommunications, insurance and banking and other financial services.

This will involve creating a reporting system to include the administrative records of many agencies. For example, indicators will be required even relating to cultural and artistic activities, sports coaches, football players and students. These indicators must conform to international standards. The cooperation of MOLISA will be needed for regular reports on the number of workers going abroad under these programmes.

11.1.2 Implementation of the ASEAN work plan to harmonise indicators on international trade in services

It has been agreed that data be compiled on the 11 services sectors of BPM5, which is to be achieved over the next three years.

The further disaggregation of this data by the major partner countries and EU is to be achieved over the next five years.

11.1.3 Maintaining the Central Business Register

It is strongly recommended that a mechanism to maintain a single Central Business Register up-to-date be worked out by the GSO in close coordination with other relevant agencies. This register would be classified under VSIC-06.

The initial members of the group should be representatives from at least the GSO, SBV, MPI, MOF (GTD/GDC) and MOT. Its first, urgent, task would be to agree which of these agencies should hold and maintain the Central Business Register, and agree MOUs on the mechanisms for a regular flow of information and data format from each in order to maintain the register continually up to date. It would seem logical that the Department of Standards and Methodology of the GSO should be responsible for this activity.

11.1.4 Benchmark census and specialist surveys to comply with the *Manual*

A benchmark census on international trade in service is very necessary to conduct in 2008 following international standards and experiences of foreign countries. In addition to the surveys for the six priority sectors, it will be considered what other specialist surveys might be necessary to implement the recommendations of the *Manual* for international services trade under EBOPS and for the FATS statistics.

Firstly, the inward FATS variables already collected by the Annual Enterprise Survey should be compiled from data extracted from the FDI data base. Then it will be considered whether a special survey could be carried out on the firms with over 50% foreign ownership which number about 200. The collection of the variables for outward FATS can be left until later, as at present this is not a significant part of the picture for Vietnam.

Secondly, consideration of the design and implementation of surveys for other sectors will be given. The likely next sector to be selected being for 'Computer and information services'.

It seems likely that a separate survey will become necessary to improve the EBOPS data in the not too distant future, and the design and testing of a specific questionnaire and the possible use of a cognitive survey questionnaire for the first pilot testing should be undertaken as soon as resources allow.

11.1.5 The training programme

Once the enterprise/establishment census has been carried out in July 2007 and preparations are made to conduct the next Annual Enterprise Survey, there will need to be training workshops for the statisticians in the PSOs on the new methodology to obtain better quality data on services exports and imports.

In order to improve the response rate and response data quality, training workshops for enterprise statisticians should be carried out by central GSO at, say, three PSO offices to cover the north, centre and south of the country.

Further workshops will become necessary as any specialist surveys are tested and introduced.

11.2 For implementation by the SBV

SBV currently report to the IMF and publish balance of payments data on five of the eleven BPM5 services sectors, and are working on ways to improve the data collected by their ITRS system, having seen how certain other ASEAN countries have constructed better exchange monitoring systems.

On the banking sector, for which they have a particular responsibility, the SBV is studying how to comply with the forthcoming BPM6 recommendation to value the services of services not explicitly charged, by means of the FISIM formula, which is also recommended as a memorandum item under EBOPS. The valuation basis for insurance services will also be improved under BPM6 by means of the concept of 'moving average smoothing' of gross premiums and claims and this must be implemented.

The SBV sees two main priorities in fulfilling the recommendations of the *Manual* to report to the government and publish BOP data at the EBOPS level of disaggregation, including the memorandum items:

- (a) the reporting system required of the commercial banks is to be greatly improved on a transaction basis, not only from the SOEs, but also from the foreign banks which are part of

- larger groups with sophisticated IT systems that should be able to comply with the new requirements, and
- (b) the coordination between the SBV and GSO, and with certain other agencies, should become regular and closer. This must ensure the regular updating of the central business register which provides the necessary sampling frame for every sector, and also for specialist surveys beyond those tailored specifically for banking and insurance, for sectors needing particular techniques for estimation and imputation. The seven-person BOP unit of the SBV will have to rely progressively on receiving inputs from the GSO which the government has made responsible overall for data collection and the supply of processed results from surveys for the various needs of government offices, including the SBV.

11.3 Inter-Agency Coordination

The Inter-Agency Working Group chaired by MPI is responsible for all matters relating to service sectors, and GSO is a member. However, this IAWG does not meet often and is not very active in general. Therefore it is recommended that the IAWG set up a Statistics Sub-Group, chaired by the GSO. This sub-group would also be responsible for input on services statistics matters to the ASEAN SITS working group.

SECTION 12
THE NEED FOR FURTHER RESOURCES AND TECHNICAL ASSISTANCE

Based on the present status of Vietnam's statistic, on international standards and experiences, the report proposes some priority action for the next few years and further aid technical assistance, which presents in part IV. The prospective workload on surveys adds up to a considerable increase in prospect for the GSO. Work has to be undertaken for 3 key targets:

- Implementation of nine recommendations presented in part III with high priority level for recommendations number 1, 2, 3, 4, 5 and 9
 - Focusing on 6 priority service sectors by the Government, by ASEAN and key complex sectors
 - Supplying the better data based on the survey conduction on international trade in services, probably including undertaking a separate EBOPS and FATS surveys
1. **There will be the need for the government** to allocate increased resources to the GSO and for statisticians in the relevant Ministries so that the statistical system can be further developed:
 - To increase resources in order to hire more people, for the statistical systems to be upgraded to cope with the extra and specific data, for survey techniques to be improved, and statisticians the GSO, PSOs and in Ministries
 - To train for statisticians of the GSO, PSO and Ministries/enterprises and to improve coordination among the various government agencies related to the services sectors.

2. There will be need for the International Donor aid for the following contents

The practice of SERV-5 activity show that much important results were obtained with the working mechanism in which the assistant of EU consultants about knowledge and experiences of statistical method, surveys and others coordinating with the GSO's working plan. For three big aims above, there will be need for the International Donor aid for the following contents.

- 2.1. Support for the improvement of trade in services statistics system
 - Design and Carry out a benchmark census in 2008 or 2009: set up the plan, questionnaire design for different service sectors, reporting instruction, conducting, data processing and compiling
 - Strengthen data collection through the Annual Enterprises Survey for next years based on the results of the benchmark census and to improve imputation/estimation approach for monthly or quarterly data
 - Surveys of complex service sectors
- 2.2. Design and establish a central register of enterprises with updating mechanism frequently involving close cooperation between relating agencies (MPI, GSO, MOF)
- 2.3. Improving FDI statistics and developing FATS
- 2.4. Setting up the mete-data and database of International Trade in Services
- 2.5. Training on ITS for GSO, PSO and other Ministries/agencies/enterprises

3. The ways of assistant

Above technical assistance and further aid can be implemented through two ways:

- Visits by Consultants from EU members or other countries (United States or Australia) into Vietnam for discussion with National consultants or training on detailed issues
- Attachments by GSO staffs in EU countries or others with funding by donor aid for them. They will have opportunity to study and learn experiences from colleagues in order to apply in Vietnam suitably.
- Additional funding for pilot surveys of complex service sectors
- Additional funding for national consultants to study and conduct some activities relating to the international trade in services statistic areas conjunction with data requirement of the Government, ministries and also to strengthen capacity building of the GSO.

CONCLUSIONS

The objective of the SERV-5 study was primarily to propose “a new comprehensive statistical system for trade in services in Vietnam with an effective reporting and implementation mechanism”. This involved a great deal of consultation with the many stakeholders and study of the existing classifications used, the statistical system and proposed improvements and further developments.

It was readily agreed that for statistics on trade in services Vietnam should follow international standards as recommended in The Manual on Statistics of International Trade in Services which has two ‘Pillars’ for the collection and compilation of data on (a) the balance of payments and (b) foreign affiliates with over 50% foreign ownership – the so-called FATS variables.

The Government of Vietnam has laid down a standard system for the General Statistics Office to coordinate, collect and report on data on the whole economy, and had identified six major service sectors that data were required on as the highest priority. The focus was therefore mainly on this objective.

The GSO is professionally organised and has long experience of conducting censuses and surveys based on sound sampling methodologies.

The new directive on statistics required commercial entities, both SOEs and in the private sector, to comply with official requests to provide information and gave powers to the GSO to coordinate data collection by all government agencies, including the SBV. Certain sectoral aspects within the overall legal framework still need to be tightened up to underpin data collection in the new formats.

In summary, the new and comprehensive statistical system for international trade in services for Vietnam is assured by their following the UN approved recommendations of the *Manual*, with its full set of indicators. The legal basis and the GSO’s responsibilities for coordination with the various ministries and agencies, their statutory powers and professionalism ensure the eventual effective implementation, reporting and dissemination. Even against this background, though, it will take some years to implement the new system in full.

With a GSO divisional deputy director poised to chair the ASEAN Working Group on Statistics of International Trade in Services, Vietnam will be at the centre of a regional move towards the harmonisation of classifications, survey methodologies, questionnaire design and sectoral coverage, to which it will contribute strongly and from which it will benefit positively.

ANNEXES

ANNEX 1: LIST OF REFERENCES

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Annex 2

Draft (11/2006)

Vietnamese Service classification for International trade in services

Vietnamese Code					Description	International code in EBOPS
C1	C2	C3	C4	C5		
1					Transportation	205
	1.1				Sea transport	206
		1.11			Sea transport, passenger	207
			1.111	1.1110	Coastal and transoceanic water transport services of passengers by ferries	
			1.112	1.1120	Other coastal and transoceanic water transport services of passengers	
			1.113	1.1130	Rental services of vessels for coastal and transoceanic water transport with operator	
		1.12			Sea transport, freight	208
			1.121	1.1210	Coastal and transoceanic water transport services of refrigerated freight by refrigerator vessels	
			1.122	1.1220	Coastal and transoceanic water transport services of bulk liquid freight by tankers	
			1.123	1.1230	Coastal and transoceanic water transport services of containerized freight by container ships	
			1.124	1.1240	Other coastal and transoceanic water transport services of other freight	
			1.125	1.1250	Rental services of vessels for coastal and transoceanic water transport with operator	
		1.13			Supporting services for sea transport	209
			1.131	1.1310	Towing and pushing services on coastal and transoceanic waters	
			1.132	1.1320	Port and waterway operation services (excl. cargo handling)	
			1.133		Pilotage and berthing services	
				11331	Pilotage services	
				11332	Berthing services	
			1.134	1.1340	Vessel salvage and refloating services	
			1.135	1.1350	Other supporting services for water transport	
			1.136	1.1360	Maintenance and repair services of other transport equipment	
	1.2				Air transport	210
		1.21			Air transport, passenger	211
			1.211	1.2110	Scheduled air transport services of passengers	
			1.212	1.2120	Non-scheduled air transport services of passengers	

		1.213	1.2130	Special purpose air transport services of passengers	
		1.214	1.2140	Rental services of aircraft with operator	
	1.22			Air transport, freight	212
		1.221	1.2210	Air transport services of letters and parcels	
		1.222	1.2220	Air transport services of other freight	
		1.223	1.2230	Rental services of aircraft with operator	
	1.23			Supporting services for air transport	213
		1.231	1.2310	Airport operation services (excl. cargo handling)	
		1.232	1.2320	Air traffic control services	
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		1.234	1.2340	Maintenance and repair services of other transport equipment	
1.3				Rail transport	219
	1.31			Rail transport, passenger	220
		1.311	1.3110	Urban and suburban railway transport services of passengers	
		1.312	1.3120	Interurban and international railway transport services of passengers	
	1.32			Rail transport, freight	221
		1.321	1.3210	Railway transport service of freight by refrigerator cars	
		1.322	1.3220	Railway transport service of freight by tanker cars	
		1.323	1.3230	Railway transport service of containerized freight by flat cars	
		1.324	1.3240	Railway transport service of letters and parcels	
		1.329	1.3290	Other railway transport service of freight	
	1.33			Supporting services for railway transport	222
		1.331	1.3310	Railway pushing or rowing services	
		1.332	1.3320	Other supporting services for railway transport	
		1.333	1.3330	Maintenance and repair services of other transport equipment	
1.4				Road transport	223
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		1.412	1.4120	Interurban scheduled road transport services of passenger	
		1.413	1.4130	Urban, suburban and interurban special purpose road transport services of passenger	
		1.414	1.4140	Other scheduled road transport services of passengers n.e.c	
		1.415	1.4150	Taxi services	
		1.416	1.4160	Rental services of passenger cars, buses and coaches with	

					operator	
			1.417	1.4170	Road transport services of passenger by man- or animal-drawn vehicles	
			1.418	1.4180	Other non-scheduled road transport services of passengers n.e.c	
			1.419	1.4190	Rental services of trucks with operator	
		1.42			Road transport, freight	225
			1.421	1.4210	Road transport services of refrigerated or frozened freight by refrigerator vehicles	
			1.422	1.4220	Road transport services of freight by tank trucks or semi-trailers	
			1.423	1.4230	Road transport services of containerized freight by trucks equipped with a container chassis	
			1.424	1.4240	Road transport services of freight by man- or animal-drawn vehicles	
			1.425	1.4250	Moving services of household and office furniture and other goods	
			1.426	1.4260	Road transport services of letters and parcels	
			1.427	1.4270	Other road transport services of freight	
			1.428	1.4280	Rental services of trucks with operator	
		1.43			Supporting services for road transport	226
			1.431	1.4310	Bus station services	
			1.432	1.4320	Highway, bridge and tunnel operation services	
			1.433	1.4330	Parking lot services	
			1.434	1.4340	Other supporting services for road transport	
			1.435	1.4350	Maintenance and repair services of motor vehicles	
			1.436	1.4360	Maintenance and repair services of motorcycles and snowmobiles	
			1.437	1.4370	Maintenance and repair services of tank trucks, semi-trailers, and other motor vehicles n.e.c	
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		1.51			Inland waterway transport, passenger	228
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			1.521	1.5210	Inland waterway transport of freight by refrigerator vessels	
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			1.523	1.5230	Other inland water transport services of freight	
			1.524	1.5240	Rental services of inland water vessels with operator	

	1.53			Supporting services for inland waterway transport	230
		1.531	1.5310	Towing and pushing services on inland waters	
		1.532	1.5320	Port and waterway operation services (excl. cargo handling)	
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			15331	Pilotage services	
			15332	Berthing services	
		1.534	1.5340	Vessel salvage and refloating services	
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		1.922	1.9220	Bulk liquid or gas storage services	
		1.929	1.9290	Other storage or warehousing services	
	1.93			Navigational aid services	
		1.931	1.9310	Navigational traffic operation services	
		1.932	1.9320	Vessel agency services	
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			2.219	2.2190	Expenditure on other serving services	871
		2.22			Educations-related expenditure	242
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			2.222	2.2220	Expenditure on food and beverage serving services	957
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			3.013		Telex and telegraph services	
				3.0131	Telex services	
				3.0132	Telegraph services	
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			3.015	3.0150	Private leased circuit services	
			3.016		Electronic and voice mail	
				3.0161	Electronic mail	
				3.0162	Voice mail	
			3.017		On-line information and data retrieval; electronic data interchange (EDI)	
				30171	On-line information and data retrieval	
				30172	Electronic data interchange (EDI)	
			3018	30180	Enhanced/value added facsimile services, incl. store and forward, store and retrieve	
			3019	30190	Radio and television transmission services	
		3.02			Wireless telecommunications services	
			3.021	3.0210	Voice telephone services	
			3.022		Data transmission services	
				3.0221	Packet-switched data transmission services	
				3.0222	Circuit-switched data transmission services	
			3.023		Telex and telegraph services	
				3.0231	Telex services	
				3.0232	Telegraph services	
			3.024	3.0240	Facsimile services	
			3.025	3.0250	Private leased circuit services	
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				3.0262	Voice mail	
			3.027		On-line information and data retrieval; electronic data interchange (EDI)	

				3.0271	On-line information and data retrieval	
				3.0272	Electronic data interchange (EDI)	
			3.028	3.0280	Enhanced/value added facsimile services, incl. store and forward, store and retrieve	
			3.029	3.0290	Radio and television transmission services	
		3.03			Satellite telecommunications services	
			3.031	3.0310	Voice telephone services	
			3.031		Data transmission services	
				3.0311	Packet-switched data transmission services	
				3.0312	Circuit-switched data transmission services	
			3.032	3.0320	Telex services	
			3.033	3.0330	Facsimile services	
			3.034	3.0340	Private leased circuit services	
			3.035		Electronic and voice mail	
				3.0351	Electronic mail	
				3.0352	Voice mail	
			3.036		On-line information and data retrieval; electronic data interchange (EDI)	
				3.0361	On-line information and data retrieval	
				3.0362	Electronic data interchange (EDI)	
			3.037	3.0370	Enhanced/value added facsimile services, incl. store and forward, store and retrieve	
			3.038	3.0380	Radio and television transmission services	
		3.04			On-line access services	
			3.041		Data transmission services	
				3.0411	Packet-switched data transmission services	
				3.0412	Circuit-switched data transmission services	
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			4.112	4.1120	General construction services of multi- dwelling buildings	
			4.113	4.1130	General construction services of industrial buildings	
			4.114	4.1140	General construction services of commercial buildings	
			4.115	4.1150	General construction services of non-residential buildings	
		4.12			General construction services of engineering works	
			4.121	4.1210	General construction services of highways (except elevated highways), streets, roads, railways and airfield runways	
			4.122	4.1220	General construction services of bridges, elevated highways, tunnels and subways	
			4.123	4.1230	General construction services of harbours, waterways, dams, irrigation and other water works	
			4.124		General construction services of pipelines	
				4.1241	General construction services of long distance pipelines	
				4.1242	General construction services of local pipelines	
			4.125		General construction services of communication and power lines (cables)	
				4.1251	General construction services of long distance communication and power lines (cables)	
				4.1252	General construction services of local communication and power lines (cables)	
			4.126	4.1260	General construction services of mines and industrial plant	
			4.127	4.1270	General construction services of outdoor sport and recreation facilities	
			4.129	4.1290	General construction services of other engineering works n.e.c.	
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			4.131	4.1310	Septic system installation services	
			4.132	4.1320	Assembly and erection of prefabricated constructions	
			4.133		Electrical, fire alarm, burglar alarm system and residential antenna installation services	
				4.1331	Electrical installation services	
				4.1332	Fire alarm installation services	
				4.1333	Burglar alarm system installation services	

			4.1334	Residential antenna installation services	
		4.134		Water plumbing and drain laying services	
			4.1341	Water plumbing services	
			4.1342	Drain laying services	
		4.135		Heating, ventilation and air conditioning, gas fitting installation services	
			4.1351	Heating installation services	
			4.1352	Ventilation and air conditioning installation services	
			4.1353	Gas fitting installation services	
		4.136	4.1360	Insulation services	
		4.137	4.1370	Lift and escalator installation services	
		4.138	4.1380	Other installation services n.e.c	
		4.139	4.1390	Fencing and railing services	
	4.14			Building completion and finishing services	
		4.141	4.1410	Building completion and finishing services of highways (except elevated highways), streets, roads, railways and airfield runways	
		4.142	4.1420	Glazing services	
		4.143	4.1430	Plastering services	
		4.144	4.1440	Painting services	
		4.145	4.1450	Floor and wall tiling services	
		4.146	4.1460	Other floor laying, wall covering and wall papering services	
		4.147	4.1470	Wood and metal joinery and carpentry services	
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		4.192	4.1920	Water well drilling services	
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			4.1931	Pile driving services	
			4.1932	Foundation services	
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		4.212	4.2120	General construction services of multi- dwelling buildings	
		4.213	4.2130	General construction services of industrial buildings	
		4.214	4.2140	General construction services of commercial buildings	
		4.215	4.2150	General construction services of non-residential buildings	
	4.22			General construction services of engineering works	
		4.221	4.2210	General construction services of highways (except elevated highways), streets, roads, railways and airfield runways	
		4.222	4.2220	General construction services of bridges, elevated highways, tunnels and subways	
		4.223	4.2230	General construction services of harbours, waterways, dams, irrigation and other water works	
		4.224		General construction services of pipelines	
			4.2241	General construction services of long distance pipelines	
			4.2242	General construction services of local pipelines	
		4.225		General construction services of communication and power lines (cables)	
			4.2251	General construction services of long distance communication and power lines (cables)	
			4.2252	General construction services of local communication and power lines (cables)	
		4.226	4.2260	General construction services of mines and industrial plant	
		4.227	4.2270	General construction services of outdoor sport and recreation facilities	
		4.229	4.2290	General construction services of other engineering works n.e.c.	
	4.23			Installation services	
		4.231	4.2310	Septic system installation services	
		4.232	4.2320	Assembly and erection of prefabricated constructions	
		4.233		Electrical, fire alarm, burglar alarm system and residential	

					antenna installation services	
				4.2331	Electrical installation services	
				4.2332	Fire alarm installation services	
				4.2333	Burglar alarm system installation services	
				4.2334	Residential antenna installation services	
			4.234		Water plumbing and drain laying services	
				4.2341	Water plumbing services	
				4.2342	Drain laying services	
			4.235		Heating, ventilation and air conditioning, gas fitting installation services	
				4.2351	Heating installation services	
				4.2352	Ventilation and air conditioning installation services	
				4.2353	Gas fitting installation services	
			4.236	4.2360	Insulation services	
			4.237	4.2370	Lift and escalator installation services	
			4.238	4.2380	Other installation services n.e.c	
			4.239	4.2390	Fencing and railing services	
		4.24			Building completion and finishing services	
			4.241	4.2410	Building completion and finishing services of highways (except elevated highways), streets, roads, railways and airfield runways	
			4.242	4.2420	Glazing services	
			4.243	4.2430	Plastering services	
			4.244	4.2440	Painting services	
			4.245	4.2450	Floor and wall tiling services	
			4.246	4.2460	Other floor laying, wall covering and wall papering services	
			4.247	4.2470	Wood and metal joinery and carpentry services	
			4.249	4.2490	Other building completion and finishing services	
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				10.2359	Other services provided by membership organizations n.e.c.	
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				10.2361	Performing arts event promotion and organization services	
				10.2362	Performing arts event production and presentation services	
				10.2363	Performing arts facility operation services	

				10.2364	Other performing arts and live entertainment services	
				10.2365	Services of performing artists	
				10.2366	Services of authors, composers, sculptors and other artists, except performing artists	
			10.237		Museum and preservation services	
				10.2371	Museum services except for historical sites and buildings	
				10.2372	Preservation services for historical sites and buildings	
				10.2373	Botanical and zoological garden services	
				10.2374	Nature reserve services including wildlife preservation services	
			10.238		Services related to sports, recreational sports and other recreation	
				10.2381	Sports, recreational sports event promotion and organization services	
				10.2382	Sports, recreational sports facility operation services	
				10.2383	Other sports, recreational sports services	
				10.2384	Services of athletes	
				10.2385	Support services related to sports and recreation	
				10.2386	Amusement park and similar attraction services	
				10.2387	Gambling and betting services	
				10.2388	Coin-operated amusement machine services	
				10.2389	Other recreation and amusement services n.e.c	
			10.239		Other services for personal serving	
				10.2391	Laundry, dry cleaning, pressing, dyeing and colouring services	
				10.2392	Hairdressing and barbers'; cosmetic treatment, manicuring and pedicuring services	
				10.2393	Physical well-being services	
				10.2394	Other beauty treatment services n.e.c.	
				10.2395	Cemeteries, cremation and undertaking services	
				10.2396	Escort services	
				10.2397	Other miscellaneous services n.e.c.	
				10.2398	Domestic services	
11					Government services n.i.e.	291
	11.1				Embassies and consulates	292
		11.10	11.100	11.1000	Services provided by extraterritorial organizations and bodies	

	11.2				Military units and agencies	293
		11.20	11.200	11.2000	Services provided by extraterritorial organizations and bodies	
	11.3				Other government services n.i.e.	294
		11.31	11.310	11.3100	Executive and legislative services	
		11.32			Administrative general economic services	
			11.321	11.3210	Financial and fiscal services	
			11.322	11.3220	Over-all economic and social planning and statistical services	
			11.323	11.3230	Government services to fundamental research	
			11.329	11.3290	Other administrative services of the government n.e.c.	
		11.33			Administrative educational, health, cultural and social services	
			11.331	11.3310	Administrative educational services	
			11.332	11.3320	Administrative health care services	
			11.333	11.3330	Administrative housing and community amenity services	
			11.334	11.3340	Administrative recreational, cultural and religious services	
		11.34			Administrative speciality economic services	
			11.341	11.3410	Administrative agriculture, forestry, fishing and hunting related services	
			11.342	11.3420	Administrative fuel and energy related services	
			11.343	11.3430	Administrative mining and mineral resources, manufacturing and construction related services	
			11.344	11.3440	Administrative transport and communications related services	
			11.345	11.3450	Administrative services related to the distributive and catering trades, hotels and restaurants	
			11.346	11.3460	Administrative services related to tourism affairs	
			11.347	11.3470	Administrative multipurpose development project services	
			11.348	11.3480	General administrative economic, commercial and labour affairs related services	
		11.35			Other general administrative services	
			11.351	11.3510	General personnel services for the government	
			11.352	11.3520	Other general services for the government n.e.c.	
			11.353	11.3530	Administrative external affairs related services, diplomatic and consular services abroad	
			11.354	11.3540	Foreign economic aid related services	
			11.355	11.3550	Foreign military aid related services	
		11.36			Administrative security, military defence and legislation defence services	

			11.361	11.3610	Military defence services	
			11.362	11.3620	Civil defence services	
			11.363	11.3630	Police and fire protection services	
			11.364	11.3640	Law courts related administrative services	
			11.365	11.3650	Administrative services related to detention or rehabilitation of criminals	
			11.366	11.3660	Other public order and safety affairs related services	
		11.37			Administrative services of social benefit schemes	
			11.371	11.3710	Administrative services of sickness, maternity or temporary disablement benefit schemes	
			11.372	11.3720	Administrative services of government employee pension schemes; old-age disability or survivors' benefit schemes, other than for government employees	
			11.373	11.3730	Administrative services of unemployment compensation benefit schemes	
			11.374	11.3740	Administrative services of family and child allowance programs	

ANNEX 3: SAMPLE SURVEY ON INSURANCE AND FREIGHT OF IMPORTED GOODS OF THE YEAR 2005

3. Annex 3a: Questionnaire I, F [V2 - Annex 3a - Questionnaire I,F \(1\)-v3.xls](#)
4. Annex 3b: Explanation for Sample survey on insurance and freight of imported goods of the year 2005.
5. Annex 3c: The result of survey [V2 - Annex 3c - Results.xls](#)

Annex 3b. Explanation for content and filling in questionnaire

3. The total of import value in 2005

3.1. According to data from Department of Custom: this item is filled by the Provincial Statistical Office/ City Statistical Office (under the list and value of imports of each enterprise that was sent by the General Statistics Office).

3.2. According to data from enterprise: enterprise writes down data on value of all commodities that was imported under the direct contact between enterprise and foreign business and these imports would be used for production, business operation, investment or mandated import for other enterprise. Value of imports are valued by CIF prices, being price of commodity counted at first port of entry in Vietnam, including value of commodity (C), cost of insurance (I) and cost of freight (F) for transportation of commodity to Vietnam. In the year 2005, if enterprise imported commodity under other condition such as: FOB, FAS, it would be added cost of insurance and cost of freight to total value of imported commodity.

3.2.1. Value of imports under condition of CIF, CF: value of commodity that was directly imported by enterprise under delivery of goods at port in Vietnam (for example, in CIF at Hai phong, CIF at Ho Chi Minh city). Under this condition, value of imported commodity that was paid by Vietnamese enterprise to foreign businessman including value of commodity (C), cost of insurance (I) and cost of freight (F) from a first loaded port of commodity abroad to first unloaded port of commodity in Vietnam under commercial contact. Contact that was signed by CF condition (including price of commodity and cost of freight, Vietnam enterprise didn't buy insurance service) was counted in this item. if Vietnam enterprise bought insurance service by itself, it would be added cost of insurance into value of imported commodity.

3.2.2. Value of imports under condition of FOB and I, F paying to foreign enterprise (Resident in foreign country): being value of commodity that were imported by enterprise under condition of FOB delivery at foreign port (for example FOB Tokyo, FOB Amsterdam, etc.). Under this condition, Vietnamese enterprise bought insurance service by itself and renting transport means for transportation of imports from first loaded port in foreign country to first unloaded port in Vietnam.

3.2.3. Value of imports under FOB condition and I, F buying from Vietnamese enterprise (Resident in Vietnam): being value of commodity that were imported by enterprise under condition of FOB delivery at foreign port (for example FOB Tokyo, FOB Amsterdam, etc.). Under this condition, Vietnamese enterprise bought insurance service by itself and renting transport means for transportation of enterprise's commodity from first loaded port in foreign country to first unloaded port in Vietnam.

4. Cost of freight, insurance for direct imports in the year 2005

Column A and B: commodity group/ commodity and code

Column A and B including name of imported **commodity** group/ imported commodity (by attached list), was divided into 9 commodity groups having code of two digits from 01 to 09 (called commodity group) and major commodities of each group having code of three digits (called commodity) – for example: 011, 012, 021, 022, etc. Enterprise compares to this list and write down data by commodity, dividing by 5 export countries that had biggest value and correlative data on net column. Export countries to Vietnam are countries from that commodities was transported to Vietnam (Countries that commodities were finally sold to Vietnam – by item 11 “export country” in custom declaration paper of imported commodity). Note: it wasn't filled in name of country that commodity was transited through country. For each commodity group and commodity, enterprise should write down data of 5 biggest partnership countries in term of value.

For example: 1. Food and foodstuff

Milk and products from milk

- New Zealand.
- United State
- China
- ...

Column C: Code of export country to Vietnam

(PSO/CSO writes down by current code of country).

Column D: Way of transport

Writing down way of transport of imports, for example: ship, airplane, Automobile or train in accordance with each commodity/ group of commodity and export country

Column 1: value of direct imports at CIF prices

Value of direct imports includes all value of commodity that was imported directly by enterprise at CIF prices. In total line, data in this column is also data in item 3.2, in next lines are relative data on each group of commodity/ commodity and export country, way of transport.

Column 2 and 3: Cost of insurance (I) (*enterprise can select one between two columns for writing down data*)

Column 2: Writing down data in USD on cost of insurance of imports for transportation from abroad to Vietnam, detail by each commodity/ group of commodity, export country.

- If imports under CIF condition, Seller (foreign businessman) has responsibility to buy insurance service for transporting of commodity to Vietnam and this Claus is often written down clearly in contact.

- If imports under FOB or FAS, etc and Vietnamese enterprise buy insurance service by itself, basing on contact of buying insurance service of enterprise for filling data in questionnaire.

Column 3: If it was impossible to write down data in value, enterprise would be able to write down or estimate percentage of cost of insurance over value of imports by commodity/group of commodity and relative export country.

Column 4 and 5: Cost of freight (F) (*enterprise can select one between two columns for writing down data*)

Column 4: writing down data in USD on cost of freight for transporting commodity from abroad to Vietnam, detail in each commodity/ group of commodity, relative export country for enterprise. When commodity were imported under CIF condition, commercial contact was often written clause that stipulated that seller has to provide Bill of Lading for buyer with seal of “Freight prepaid”. Though, Vietnamese enterprise didn’t pay cost of freight directly to transport company they know information on cost of freight when signing contact or asking seller abroad to provide this kind of information.

Column 5: If it was impossible to write down data in value, enterprise would be able to write down or estimates percentage of cost of freight over value of imports by commodity/group of commodity and relative export country.

Column 6 and 7: Total of cost (I + F) (*enterprise can select one between two columns for writing down data*)

Column 6: equaling to data of column 2 plus column 4 that shows total of cost of insurance and freight correspond to each line of commodity/ group of commodity by each export country. If it was impossible for enterprise to break down data on cost of insurance and cost of freight separately, enterprise could write down data on total of insurance and freight fee for each commodity and export country.

Column 7: If it was impossible to write in value, enterprise would be able to write down or estimates percentage of two this kinds of fee over total value of imports for each commodity/ group of commodity and relative export country.

ANNEX 4 - FATS data inward aggregated from AES via 2002 - 2005

Table 1. Number of FDI enterprises owned by foreign investors with over 50% (FATS units)

Year	Total	Of which		(% FDI enterprises)	
		Total	Of which FATS Units	Comparing to total	Comparing to FDI enterprises
2002	62908	2308	2129	3.4	92.2
2003	72012	2641	2433	3.4	92.1
2004	91755	3156	2927	3.2	92.7
2005	113352	3697	3415	3.0	92.4

Table 2. Net turnover of FDI enterprises owned by foreign investors with over 50% (FATS units)

Bill VND

Year	Total	Of which		(% FDI enterprises)	
		Total	Of which FATS Units	Comparing to total	Comparing to FDI enterprises
2002	1212234	226218	175407	14.5	77.5
2003	1456771	292932	236880	16.3	80.9
2004	1750046	380998	311443	17.8	81.7
2005	2223086	502256	389130	17.5	77.5

Table 3. Employee and income of employee of FDI enterprises owned by foreign investors with over 50% capital (FATS)

Year	Total	Of which		(%) FDI enterprises	
		Total	Of which FATS Units	Comparing to total	Comparing to FDI enterprises
1. Employee (1000)					
2002	4658	691	664	14.3	96.1
2003	5175	860	823	15.9	95.7
2004	5770	1045	1009	17.5	96.6
2005	6246	1221	1180	18.9	96.6
2. Income of employee (Billion đ)					
2002	65229	13572	12159	18.6	89.6
2003	83317	16584	14950	17.9	90.1
2004	96721	20570	19026	19.7	92.5
2005	122619	26511	24477	20.0	92.3