

International Agreements on Classification on Services Trade

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UN Recommendations on the Classification of International Trade in Services

Presentation by Matthias Reister, International Trade
Statistics Section, United Nations Statistics Division,
New York

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UNSD activities in Trade in Services

- **International coordination:**

- UNSD is member of the Inter-agency Task Force on International Trade in Services (ITFSITS), chaired by OECD, which developed the Manual on Statistics of International Trade in Services – (MSITS).

- UNSD hosts and manages the Task Force's website:

<http://unstats.un.org/unsd/tradeserv/default.htm>

- **Technical assistance:**

- Workshop on Statistics of International Trade in Services together with other international organizations 14 – 17 December 2004 at the ESCWA office in Beirut.

- Joint ECLAC/UNSD workshop on Statistics of International Trade in Services 13 – 16 September 2005, Panama City.

- **Database development and data collection:**

UNSD is developing a worldwide database on trade in services statistics, detailed by partner country, service category and mode of supply.

Outline of presentation

1. How do international classifications work
2. United Nations Central Product Classification
3. IMF Balance of Payments Manual 5
4. Extended Balance of Payments
5. WTO GATS Sectoral Classification List W/120
6. Current revision processes of CPC, BPM5 and EBOPS

1. How do international classifications work? - Overview -

- ❖ **Definition**
- ❖ **Standard classifications**
- ❖ **The International family of classifications**
- ❖ **Types of classifications in the Family**
- ❖ **Examples**
- ❖ **Obligations and custodians**

1. How do international classifications work?

- Definition -

- ❖ *Classifications* group and organize information meaningfully and systematically into a standard format that is useful for determining the similarity of ideas, events, objects or persons.
- ❖ Exhaustive and structured set of mutually exclusive and well-described categories, often presented as a hierarchy.

1. How do international classifications work? - **Standard classifications** -

- ❖ are developed and adopted by international institutions
 - 1) to ensure correct implementation of agreements and
 - 2) to standardize national and international communication
- ❖ Standard *statistical classifications* are used to organize and present statistics

1. How do international classifications work?

- Intern. family of classifications -

- ❖ The international family of economic and social classifications is comprised of those classifications that have been registered into the United Nations Inventory of Classifications, reviewed and approved as guidelines by the United Nations Statistical Commission or other competent intergovernmental board
- ❖ It also includes those classifications on similar subjects that are registered into the Inventory and are derived or related to the international classifications and are primarily, but not solely, used for regional or national purposes.

1. How do international classifications work?

- Types of classifications in the Family-

❖ Reference classifications:

are a product of international agreements approved by the United Nations Statistical Commission or another competent intergovernmental board. Thus reference classifications have achieved broad acceptance and official agreement and are approved and recommended as guidelines for the preparation of classifications.

❖ Derived classifications

are based upon reference classifications. May consist of rearrangements and aggregations or provide additional detail.

❖ Related classifications

- refer partially to reference classifications, or are associated with the reference classification at specific levels of the structure only.

1. How do international classifications work?

- Examples -

❖ Product Classification:

➤ Reference Classification:

- Harmonized Commodity Description and Coding System, (HS 1996)
- Central Product Classification Version 1.1, (CPC Ver. 1.1)

Derived classification:

- Standard International Trade Classification, Revision 3, (SITC, Rev.3)
- Classification by Broad Economic Categories, Defined in terms of SITC, Rev.3, (BEC Rev.3)
- Statistical Classification of Products by Activity in the European Economic Community, (CPA)

❖ Economic Activity Classification:

➤ Reference Classification: International Standard Industrial Classification of All Economic Activities, Revision 3.1, (ISIC Rev. 3.1) .

➤ Derived classification: Statistical Classification of Economic Activities in the European Community, (NACE Rev.1)

➤ Related Classification: The North American Industry Classification System United States 2002, (NAICS-US 2002)

1. How do international classifications work? - **Obligations and custodians** -

- ❖ Agencies or offices with the responsibility for the maintenance, updating and revision of classifications are called custodians of classifications.
- ❖ Collaboration among custodians is needed for harmonization of classifications.

2. United Nations Central Product Classification - What is the CPC ? -

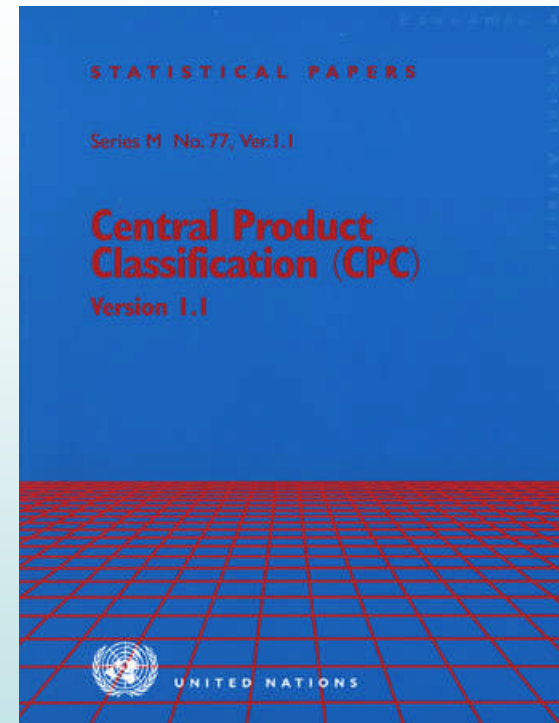
- ❖ The Central Product Classification (CPC) constitutes a comprehensive classification of all goods and services.
- ❖ CPC presents categories for all products that can be the object of domestic or international transactions or that can be entered into stocks.
- ❖ It is the standard for all products that are an output of an economic activity, including transportable and non-transportable goods and services.
- ❖ For services, CPC, Version 1.0 is the first international classification covering the whole spectrum of outputs of the various industries.

2. United Nations Central Product Classification - Development -

- ❖ the development of the CPC originated from initiatives in the 1970s to harmonize international classifications, in which a standard classification for all products was perceived as a key element.
- ❖ The first version of the CPC, the Provisional Central Product Classification, was published in 1991.
- ❖ The Central Product Classification (CPC), Version 1.0, was published in 1998 - the first international classification to cover both goods and services and particular attention is given to further elaboration of the services part of the classification

2. United Nations Central Product Classification - Development -

- ❖ Version 1.1 (approved in 2002) is intended to incorporate modifications due to recent changes in economies worldwide and sustained technological advancement in the period since the development of CPC version 1.0.



2. United Nations Central Product Classification - Purposes -

- ❖ It is intended to serve as an international standard for assembling and tabulating all kinds of data requiring product detail,
- ❖ including industrial production, national accounts, service industries, domestic and foreign commodity trade, international trade in services, balance of payments, consumption and price statistics.
- ❖ Other basic aims are to provide a framework for international comparison and promote harmonization of various types of statistics dealing with goods and services.
- ❖ It provides a basis for recompiling basic statistics from their original classifications into a standard classification for analytical use.

2. United Nations Central Product Classification - Classification Principles used -

- ❖ The CPC, covering all goods and services, is a system of categories that are both exhaustive and mutually exclusive.
- ❖ The CPC classifies products
 - based on the physical characteristics of goods or on the nature of the services rendered
 - as well as on the principle of industrial origin – an attempt was made to group into one CPC subclass mainly the products that are the output of a single industry.
- ❖ For the goods part (Sections 0 – 4) the CPC uses the headings and subheadings of the HS as building blocks in Sections 0-4 where each CPC subclass is an aggregate of one or more headings or subheadings of the HS. HS itself uses primarily the physical property criterion for classifying goods.

2. United Nations Central Product Classification - Goods vs. Services -

- ❖ Among the variety of criteria generally used for distinguishing between goods and services (tangible versus intangible, storable versus non-storable or transportable versus non-transportable), none provides a valid, practical and unambiguous distinction between goods and services in all cases. .
- ❖ “Mixed products” such as meals and drinks in a restaurant, shoe resoled or books and photographs – all services containing goods

2. United Nations Central Product Classification - Hierarchical structure -

❖ 5 Levels

- Section (one-digit code) (10)
- Division (2-digit code) (70)
- Group (3-digit code) (305)
- Class (4-digit code) (1,167)
- Subclass (5-digit code) (2096)

2. United Nations Central Product Classification - Hierarchical structure (Example)-

- ❖ Example: Rental of apartment to be found in subclass 72111
 - Section: 7 - Financial and related services; real estate services; and rental and leasing services
 - Division: 72 - Real estate services
 - Group: 721 - Real estate services involving own or leased property
 - Class: 7211 - Renting or leasing services involving own or leased property
 - Subclass: 72111 - Renting or leasing services involving own or leased residential property

❖ Explanatory note

This subclass includes:

- renting or leasing services concerning residential properties by owners or leaseholders to others:
 - houses, flats, apartment buildings
 - multiple-use buildings that are primarily residential
 - residential mobile home sites

This subclass does not include:

- lodging services provided by operating hotels, motels, rooming houses, school dormitories, camp sites and other lodging places, cf. 631

2. United Nations Central Product Classification - The 10 Sections of the CPC-

❖ Contents of section 0 – 9

0 – 4: Goods (transportable)

- 0 - Agriculture, forestry and fishery products
- 1 - Ores and minerals; electricity, gas and water
- 2 - Food products, beverages and tobacco; textiles, apparel and leather products
- 3 - Other transportable goods, except metal products, machinery and equipment
- 4 - Metal products, machinery and equipment

5 – 9: Services (mainly)

- 5 - Construction services
- 6 - Distributive trade services; lodging; food and beverage serving services; transport services; and utilities distribution services
- 8 - Business and production services
- 9 - Community, social and personal services

2. United Nations Central Product Classification - Explanatory notes sections 5 to 9 -

- ❖ For sections 5 – 9 the CPC provides descriptions (explanatory notes) and rules of interpretation of services that are included in each subclass and those that are excluded, for reference purposes
- ❖ For sections 0 – 4 the explanatory notes (and rules of interpretation) of the Harmonized System apply as the transportable goods in CPC are defined in terms of the Harmonized System

2. United Nations Central Product Classification - Interpretation -

- ❖ The explanatory notes for sections 5 to 9 of the CPC were developed for statistical purposes.
- ❖ Although these notes are intended to provide clarification, the lists are not exhaustive; they should be regarded only as lists of examples to illustrate the subclass content.
- ❖ users may need further guidance from the United Nations Statistics Division on the interpretation of the exact content of CPC subclasses in sections 5 to 9.
- ❖ If CPC categories are utilized for purposes other than statistical ones - for example as a source for the preparation of legal documents - those who prepare the legal document in which reference is made to CPC categories, not the developers of the classification, are responsible for explaining the use of those categories in the legal document.

2. United Nations Central Product Classification - Application of the CPC -

- ❖ Provisional CPC was used for the elaboration of the categories of services that were used during the negotiations leading to GATS that were conducted during the Uruguay Round
- ❖ The CPC was also used to describe the balance of payments services components recommended in BPM5.
- ❖ The CPC, Version 1.0 was used to define more precisely the balance of payments services components recommended in EBOPS
- ❖ CPC can be used to establish national product classifications (by using CPC subclasses and taking into account their scope)

3. IMF Balance of Payments Manual 5 - Purpose -

- ❖ The Balance of Payments Manual (BPM) provides the conceptual framework for the compilation of the balance of payments which records external transactions (and the stock of external financial assets and liabilities).
- ❖ An accompanying Compilation Guide provides practical guidance for using sources and methods to compile statistics on the balance of payments (and the international investment position)



3. IMF Balance of Payments Manual 5 - Standard components -

- ❖ The standard classification and the list of components of balance of payments
 - reflects conceptual and practical considerations;
 - take into account views expressed by national experts;
 - to the extent practicable be in concordance with the SNA, and, for services in particular, the CPC
- ❖ Important other considerations are: distinctive behavior; importance; possibility to collect; not too many since basis for reporting.

3. IMF Balance of Payments Manual 5 - BPM5 and trade in services -

- ❖ The fourth edition of the Manual published in 1977 was highly deficient in the coverage of trade in services.
- ❖ In the fifth edition of the Manual published in 1993 considerable disaggregation has been introduced in the classification of international services transactions due to
 - a) unprecedented growth in the volume of international trade in services and
 - b) heightened analytical and policy interest in trade in services – in particular in the context of the GATT negotiations on services

IMF Balance of Payments Manual 5

- BPM5 and the CPC -

- ❖ The classification of international transactions in services, which is included among the standard components of the balance of payments, provides for the recording of all international trade in services.
- ❖ The classification is not as detailed as the CPC as only international transactions are covered.
- ❖ The categories have been built up from the sub-classes (five-digit codes), classes (four-digit codes), groups (three-digit codes), and divisions (two-digit codes) of the CPC, although the classification seeks correspondence with the CPC mostly at the three-digit level

3. IMF Balance of Payments Manual 5 - Major differences to CPC -

- ❖ Two categories in the balance of payments classification of services, namely, travel and government services n.i.e. do not have analogues in the CPC.
- ❖ Most processing and the value of most repairs are included in the balance of payments under goods on the practical grounds that most processing involves transformation of the goods and most repairs are made to investment goods.

3. IMF Balance of Payments Manual 5

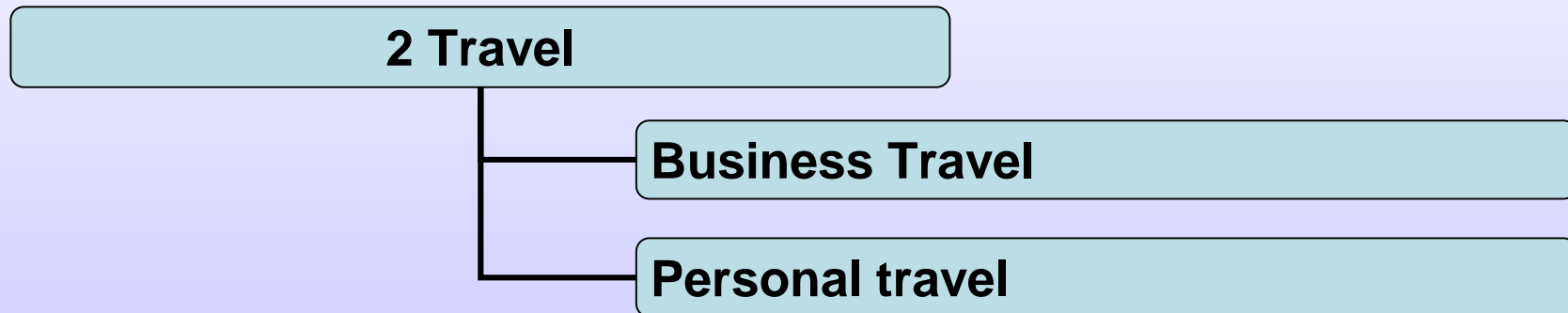
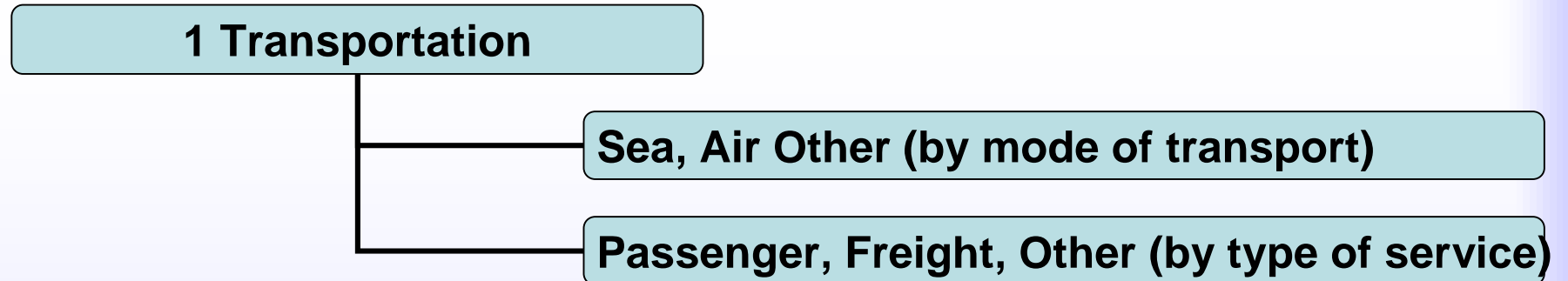
- Main standard services components -

❖ The 11 main BPM5 standard services components are:

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.).

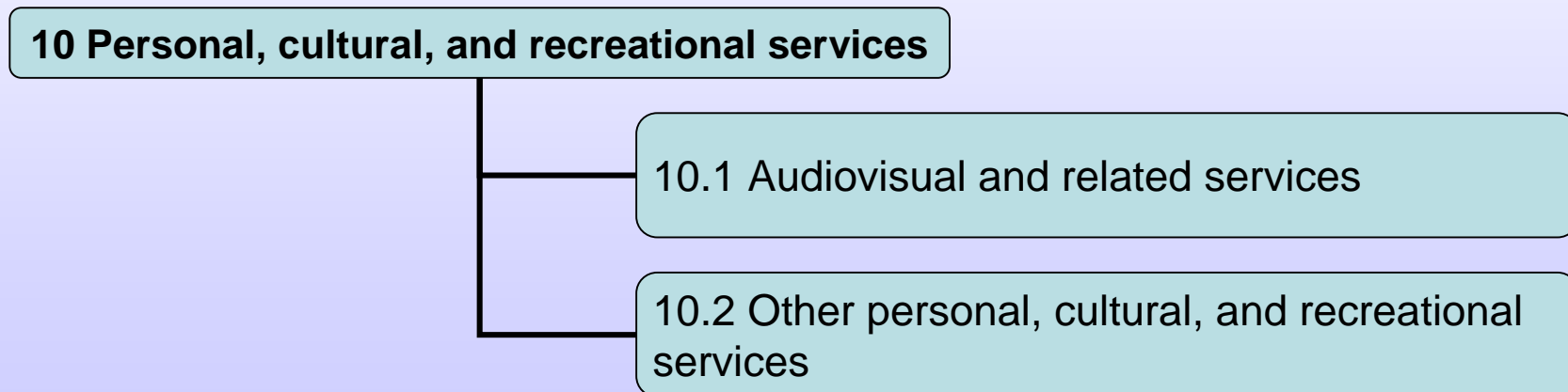
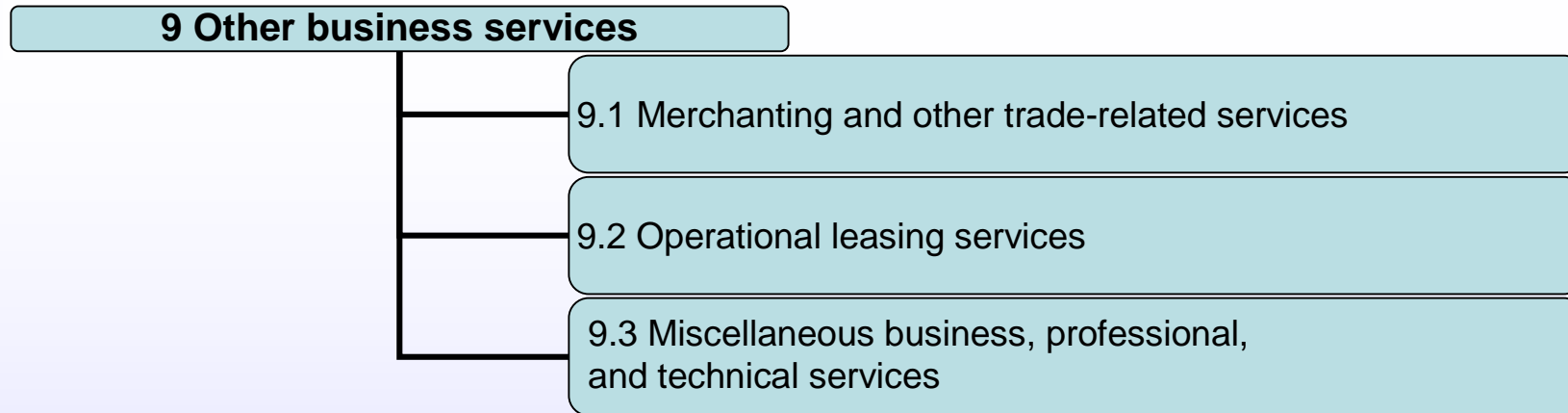
3. IMF Balance of Payments Manual 5

- Only four have additional detail -



3. IMF Balance of Payments Manual 5

- Only four have additional detail -



3. IMF Balance of Payments Manual 5 - Additional supplementary items -

2.2 Personal travel

2.2 Health-related expenditures

2.2.2 Education-related expenditures

2.2.3 Other

9.3. Miscellaneous business, professional and technical services

9.3.1 Legal, accounting, management consulting, etc.

9.3.2 Advertising, market research, etc.

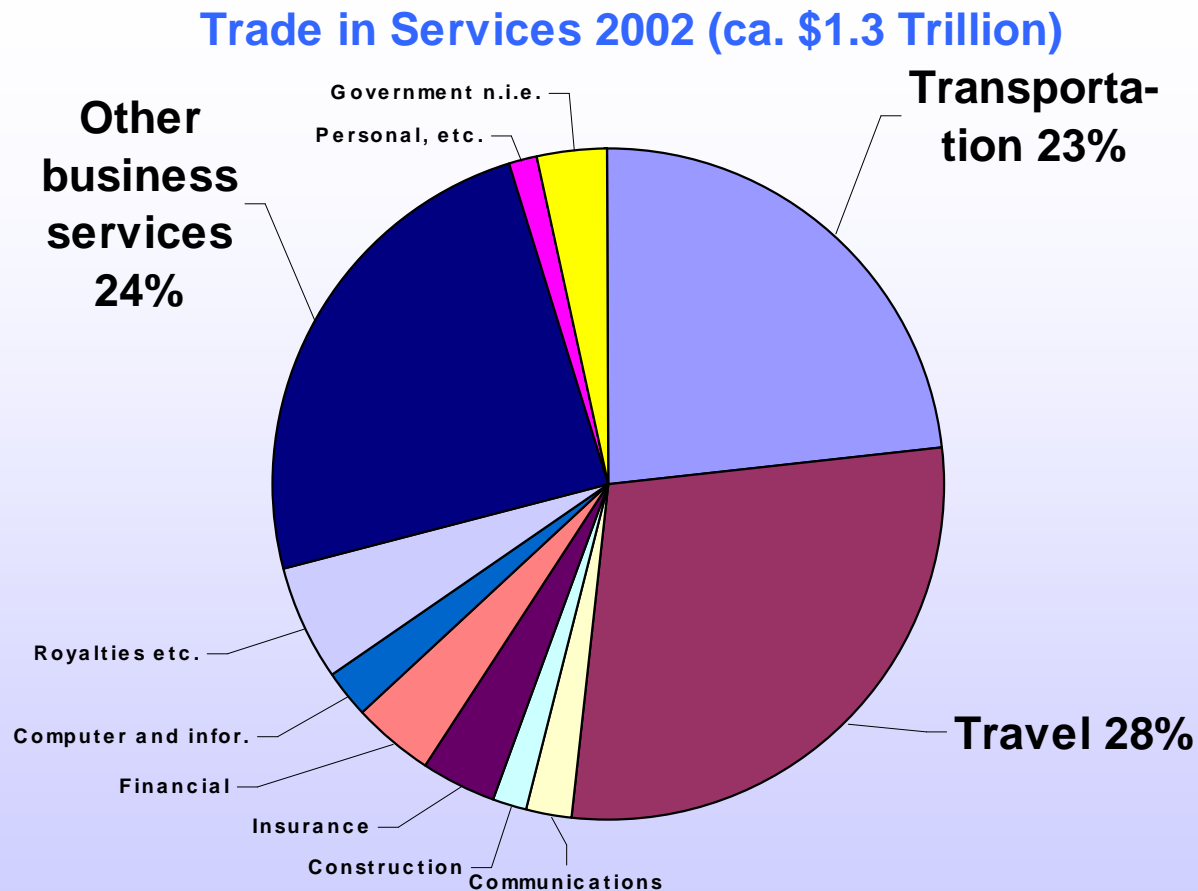
9.3.3 Research and development

9.3.4 Architectural, engineering, etc. services

9.3.5 Agricultural, mining, and on-site processing services

9.3.6 Other business services

3. IMF Balance of Payments Manual 5 - Shares of main categories -



3. IMF Balance of Payments Manual 5 - Data availability -

Main Service Categories	Reporting countries (in 2002)
Total	127
1. Transportation	123
2. Travel	123
3. Communications services	104
4. Construction services	73
5. Insurance services	114
6. Financial services	90
7. Computer and information services	79
8. Royalties and license fees	89
9. Other business services	120
10. Personal, cultural, and recreational services	77
11. Government services, n.i.e.	119

Source: IMF, Balance of Payments Statistics

3. IMF Balance of Payments Manual 5 - Data availability, detail -

Service Categories	Code	Countries (in 2002)
1 Transportation	205	123
Transportation of which: Freight	851	111
Transportation of which: Other	852	102
Transportation of which: Passenger	850	102
1.2.1 Air transport - Passenger	211	83
1.2.2 Air transport - Freight	212	66
1.2.3 Air transport - Other	213	72
2 Travel	236	123
2.1 Business travel	237	69
2.2 Personal travel	240	90
2.2.1 Health-related expenditure	241	35
2.2.2 Education-related expenditure	242	47
2.2.3 Other	243	75

3. IMF Balance of Payments Manual 5 - Data availability, detail -

Service Categories	Code	Countries (in 2002)
9 Other business services	268	120
9.1 Merchanting and other trade-related services	269	65
9.2 Operational leasing services	272	61
9.3 Miscellaneous business, professional, and technical services	273	98
9.3.1 Legal, accounting, management consulting, etc.	274	56
9.3.2 Advertising, market research, and public opinion polling	278	46
9.3.3 Research and development	279	31
9.3.4 Architectural, engineering, and other technical services	280	39
9.3.5 Agricultural, mining, and on-site processing services	281	29
9.3.6 Other business services	284	72
10 Personal, cultural, and recreational services	287	77
10.1 Audiovisual and related services	288	50
10.2 Other personal, cultural, and recreational services	289	56

Source: IMF, Balance of Payments Statistics

4. Extended Balance of Payments - EBOPS and the MSITS -

- ❖ The Manual on Statistics of International Trade in Services (*the Manual*) was published in 2002.
- ❖ Response to increased needs:
 - Globalization caused by technological advances and liberalization
 - Needs of GATS which was passed in 1995
- ❖ The *Manual* recommends the **Extended Balance of Payments Services Classification (EBOPS)** for the compilation and recording of transactions between residents and non-residents



4. Extended Balance of Payments

- EBOPS main characteristics -

- ❖ Based on BMP5
- ❖ Introduces additional detail
- ❖ Internationally accepted coding system
- ❖ 85 items and 24 memorandum items
- ❖ Defined in terms of CPC, Version 1.0 (to the extent possible)

4. Extended Balance of Payments - Development of EBOPS -

- ❖ In 1996, OECD and Eurostat, in consultation with IMF, developed for use by their members a more detailed classification than that of BPM5 for international trade in services by breaking down a number of the BPM5 service items
- ❖ The *Joint OECD-Eurostat Trade in Services Classification* can be characterized as a disaggregation of the BPM5 classification for balance of payments transactions in trade in services
- ❖ With the exception of Construction services (which also effects Other business services, compiling and reporting on the basis of the Joint Classification simultaneously satisfies IMF requirements.
- ❖ The Joint Classification is also partially linked to the Central Product Classification through its relationship with BPM5
- ❖ The Joint Classification represents a first attempt to take account of GATS, particularly as regards financial services and telecommunications, and it also reflects the statistical implications of the completion of the European Communities' Single Market in Services, which entailed a great number of directives relating to financial, telecommunications, transport, tourism and audiovisual services
- ❖ EBOPS, as recommended in the present *Manual*, is a disaggregation of the Joint Classification
- ❖ Developed based on the experience with the Joint Classification.

4. Extended Balance of Payments - EBOPS and BPM5-

- ❖ Please note: The statistical framework of the *Manual* (MSITS) with regard to resident/non-resident transactions is based on BPM5, which contains, among other things, recommendations for the definition, valuation, classification and recording of resident/non-resident trade in services.
- ❖ The *Manual* does not set out to change the BPM5 broad service components but it does call for more detail so as to identify services that feature significantly in international trade in their own right

4. Extended Balance of Payments

- Characteristics of Services -

1. Not separate entities over which ownership rights can be established.
2. They cannot be traded separately from their production (by the time their production is completed they must have been provided to the consumers).
3. Typically consist of changes in the condition of the consuming units realized by the activities of the producers at the demand of the customers
4. Heterogeneous outputs produced to order (according to the 1993 SNA)

4. Extended Balance of Payments - EBOPS and CPC-

- ❖ Detailed definitions of EBOPS categories are provided by a correspondence table provided in annex III of the *Manual* linking the EBOPS with CPC Version 1.0
- ❖ The correspondence tables provide partial statistical link between domestic production and trade in services.
- ❖ The need for a convergence of the product classifications of industry and trade, for comparative purposes, requires further development work to more closely align the structural components of EBOPS and CPC.
- ❖ The correspondence shown in annex III is an important first step in this direction, which clarifies the definition of EBOPS through the use of the detailed categories of CPC.

4. Extended Balance of Payments
- CPC defines EBOPS categories more precisely, an example -

❖ **246 Postal and courier services**

- 64240 Miscellaneous local delivery services
- 68112 Postal services related to parcels
- 68113 Post office counter services
- 68119 Other postal services
- 68120 Courier services

4. Extended Balance of Payments - Non-correspondence EBOPS and CPC -

- ❖ Three areas of EBOPS emphasize the mode of consumption of goods and services rather than the type of product consumed.
 - For “Travel”, “Construction services” and “Government services, n.i.e.”, a wide **range of goods and services** may be traded or consumed.
 - Hence for these service categories, as in BPM5 and the Joint Classification, a correspondence with CPC, Version 1.0 cannot be established.
- ❖ It is not possible to establish a one-to-one correspondence between EBOPS and CPC, Version 1.0 because in places CPC, Version 1.0 calls for more detail than is shown in EBOPS, while in a few areas the reverse is true.

4. Extended Balance of Payments - Non-correspondence, more detail -

- ❖ Most processing and the value of most repairs are included in the BPM5/ EBOPS under goods
→on the practical grounds that most processing involves transformation of the goods and most repairs are made to investment goods.
- ❖ FISIM excluded from EBOPS
- ❖ Merchanting has no correspondence in CPC
- ❖ Royalties and license fees: CPC separates assets and payments for right to use
- ❖ Various: Health services, Education services, Services of performing artists

4. Extended Balance of Payments: Transportation – Coverage and definition

Comprises 4 types of services provided by residents to non-residents:

1. Carriage of passengers
2. Movement of goods (freight)
3. Rentals (charters) of carriers with crew
4. Related supporting and auxiliary services
(cargo handling, storage and warehousing, packing and repacking, maintenance and cleaning of transport equipment in ports / airports etc.)

4. Extended Balance of Payments: Transportation – Classification

By Mode of transport	Cross-classification
1. Sea	
2. Air	By type of service
3. Space	- Passenger services
4. Rail	- Freight services
5. Road	- Other
6. Inland waterway	
7. Pipeline transport and electricity transmission	
8. Other supporting and auxiliary transport services	

4. Extended Balance of Payments: Transportation – includes/excludes

Transportation excludes:		
	Goods procured in ports by non-resident carriers	Goods
	Repair of transportation equipment	Goods
	Repair of railway facilities, harbors, airfield facilities	Construction services
	Rentals or charters of carriers with crew	Operational leasing

4. Extended Balance of Payments: Transportation – includes/excludes

Passenger Services include / exclude		
	Services performed by non-residents within economy	
	Fares that are part of package tours	
	Charges for excess baggage	
	Expenditures for food etc. of passengers on board	
	Provided to non-residents by residents within economy	Travel
	Cruise fares	Travel
	Financial leases	Goods transaction
	Time charters without crew	Operational leasing

4. Extended Balance of Payments: Transportation – includes/excludes

Freight services includes/ excludes		
	Transportation services according to the f.o.b. valuation of goods	
	- For example: provided by resident operator beyond the customs frontier, on exports	
	- For example: provided by resident operator inside the exporting economy, on imports	
	Transportation services supplied for goods that are not exports or imports of the compiling economy	
	- For example: transit trade (through economy) or cross trade (between third economies)	
	Freight Insurance	Insurance

4. Extended Balance of Payments: Travel – Definition and coverage

- ❖ All goods and services consumed by travelers abroad (Consumption abroad)
- ❖ Traveler is an individual staying for less than one year (but students and patients are always considered to be travelers)
- But excludes individuals stationed on a military base or employees of government agencies (expenditures are recorded under Government services, n.i.e.) or individuals undertaking a productive activity for a resident entity

4. Extended Balance of Payments: Travel – Classification and coverage

- ❖ **Business travel** = acquisition of goods and services by business travelers, including seasonal, border and other workers
 - 1) **Expenditures by seasonal and border workers;**
 - 2) **Other**

- ❖ **Personal travel** = covers goods and services acquired by travelers going abroad for purposes other than business – includes the participation in cultural and recreational activities as well as health and education related expenses
 - 1) **Health-related expenditure;**
 - 2) **Education-related expenditure;**
 - 3) **Other**

- **Excludes**
 - 1.) International carriage and 2.) Transportation services by carriers not resident (included in transportation)

4. Extended Balance of Payments: Travel – Three Memorandum items

- ❖ Alternative breakdown into:
 1. Expenditure on goods
 2. Expenditure on accommodation and food and beverage serving services
 3. All other travel expenditures

4. Extended Balance of Payments: Travel in CPC and TSA

- ❖ Travel is not identified in the CPC and has no correspondence (see Annex III of the Manual)
- ❖ The Tourism Satellite Account (TSA) focuses on the concept of the ‘visitor’ which differs from the definition of ‘traveler’ in the Manual:
 - TSA regards students and medical patients in the same way as other visitors
 - Seasonal, border and other workers are not considered visitors
 - Refugees are always excluded

4. Extended Balance of Payments: Communication services: Coverage

- 1. Postal and courier services** = pickup transportation and delivery of letters, newspapers, parcels and packages
- 2. Telecommunication services** = transmission of sound, images or other information by telephone, radio, television cable, broadcasting, electronic mail etc.

4. Extended Balance of Payments: Communication services: includes/ excludes

Postal and courier services include/ exclude		
	Post office counter and mailbox rental services	
	Telegram services, money orders	
	Financial services such as postal giro, banking and savings account services	Financial service
	Mail preparation services	Other business services, other
	Mail carried by air transportation enterprises	Transportation
	Storage of goods	Transportation, other

4. Extended Balance of Payments: Communication services: includes/ excludes

Telecommunication services include/ exclude		
	- Business network services, teleconferencing and support services	
	- Cellular telephone services, Internet backbone services and on-line access services	
	- Installation services for telephone networks equipment	Construction services
	- Database services and related computer services to access and manipulate data provided by database servers	Computer services

4. Extended Balance of Payments: Construction services – definition

- ❖ Work performed on construction projects and installations by employees of an enterprise in location outside of the economic territory of the enterprise
 - usually for a short term period, but the one year rule is to be applied flexible
 - ❖ includes construction repairs
 - excludes activities carried out by subsidiaries, branches or associates

4. Extended Balance of Payments: Construction services – recording I

- ❖ Valued at gross basis, i.e. inclusive all goods and services used as inputs, all other costs of production and the operating surplus that accrues to the owner of the construction enterprise
- ❖ But counter-entry for all goods and services purchased in the host country
- ❖ BOP/ NA needs to adjust merchandise trade figures to exclude goods purchased in the companies home economy

4. Extended Balance of Payments: Construction services – recording II

- ❖ EBOPS splits construction into two items
 1. **Construction abroad**
 2. **Construction in the compiling economy**
 - which allows separate identification of credits and debits of both, the **gross value** and the counter-entry for the **goods and services purchased**
- ❖ Only significant difference to BPM5 which currently records goods and services purchased under “Other business services, Other”

4. Extended Balance of Payments: Insurance services – definition and valuation

- ❖ ***Insurance services*** covers the provision of various types of insurance to non-residents by resident insurance enterprises, and vice versa.
- ❖ These services are estimated or valued by the service charges included in total premiums rather than by the total value of the premiums.

4. Extended Balance of Payments: Insurance services – components

- ❖ The present *Manual* recommends that *insurance services* be disaggregated into five separate components:
 1. **Life insurance and pension funding** (*does not include social security schemes*),
 2. **Freight insurance**,
 3. **Other direct insurance** (*i.e. accident, health, motor vehicle*)
 4. **Reinsurance**, and
 5. **Auxiliary services to insurance** (*i.e. brokerage and agency services*).
(This is a disaggregation of the BPM5 classification.)

- ❖ Information on **gross premiums** and **gross claims**, separately for each of life insurance, freight insurance and other direct insurance, is recorded in the memorandum items.

4. Extended Balance of Payments: Financial services – definition

- ❖ ***Financial services*** covers financial intermediation and auxiliary services that are conducted between residents and non-residents
 - except those of life insurance enterprises and pension funds (which are included in *life insurance and pension funding*) and other insurance services.

4. Extended Balance of Payments: Financial services – includes/ excludes

	<p>Services charged directly</p>
	<p>- Explicit and implicit commissions and fees associated with financial transactions (Financial leasing, Factoring, Brokerage etc.)</p>
	<p>- Financial advisory services, Financial asset management services, M&A services, Corporate finance services, etc.</p>
	<p>Financial intermediation services indirectly measured (FISIM) - not charged directly</p>
	<p>- Net receipts of interest of financial intermediation (interest receivable on loan and deposit assets minus interest payable liabilities)</p>
	<p style="text-align: center;">- To be recorded in memorandum item</p>

4. Extended Balance of Payments: Computer and information services

- ❖ The present *Manual* recommends that more disaggregated information be produced than is recommended in BPM5. Thus, three sub-components are recommended
 1. **Computer services,**
 2. **Information services:**
 - 2.1 **News agency services,**
 - 2.2 **Other information provision services.**

4. Extended Balance of Payments: Computer and information services

- ❖ **Computer services** consists of hardware and software-related services and data-processing services includes/ excludes:
 - ❖ hardware and software consultancy and implementation services;
 - ❖ maintenance and repair of computers and peripheral equipment;
 - ❖ provision of advice and assistance on the management of computer resources
 - ❖ analysis, design and programming of systems ready to use
 - ❖ systems maintenance and other support services
 - ❖ computer facilities management
 - ❖ data-processing services, such as data entry, tabulation and processing on a time-sharing basis
 - ❖ web page hosting services
 - provision of packaged (non-customised) software (classified as goods)
 - non-specific computer training courses (included in *other personal, cultural, and recreational services*)

4. Extended Balance of Payments: Computer and information services

- ❖ **News agency services** includes
 - the provision of news, photographs, and feature articles to the media.
 - in the GNS/W/120 list of services these services are a part of “recreational, cultural and sporting services”
- ❖ **Other information provision services** includes
 - database services (database conception, data storage and the dissemination of data and databases)
 - web search portals (search engine service)
 - direct, non-bulk subscriptions to newspapers and periodicals, whether by mail, electronic transmission or other means.

4. Extended Balance of Payments: Royalties and license fees

- ❖ The *Manual* recommends a disaggregation into
 1. **Franchises and similar rights**
 2. **Other royalties and license fees**

- ❖ Franchises and similar rights = international payments and receipts of franchising fees and the royalties paid for the use of registered trademarks.
- ❖ Other royalties and license fees includes/ excludes international payments and receipts for the authorised use of
 - ❖ assets and proprietary rights such as patents, copyrights and industrial processes and designs and
 - ❖ produced originals or prototypes such as manuscripts, computer programs, and cinematographic works and sound recordings through licensing agreements.
 - outright purchase or sale of these assets and rights (capital account)
 - distributive rights for audiovisual products for a limited period or a limited area (audiovisual and related services).

4. Extended Balance of Payments: Other business services

- ❖ The coverage of **Other business services** is identical to the coverage of the BPM5 component; however, the disaggregation proposed is more detailed than that of BPM5, although it corresponds broadly to the BPM5 supplementary breakdown
- ❖ Three BPM5 categories – two with further breakdown
 1. Merchanting and other trade-related services
 2. Operational leasing
 3. Miscellaneous business, professional, and technical services

4. Extended Balance of Payments: Merchanting and other trade related services – further breakdown

❖ **Merchanting** = purchase of a good by a resident of the compiling economy from a nonresident and the subsequent resale of the good to another non-resident

- during the process the good does not enter or leave the compiling economy.
- value of merchanting services = difference between the value of goods when acquired and the value when sold.
- memorandum item: **Merchanting gross flows** to allow for the reporting of the value of the goods

4. Extended Balance of Payments: Merchanting and other trade related services – further breakdown

- ❖ **Other trade-related services** covers commissions on goods and service transactions between (a) resident merchants, commodity brokers, dealers, and commission agents and (b) non-residents.
- ❖ Includes / excludes:
 - ❖ transactions in ships, aircraft and sales of goods by auction.
 - franchising fees (included in franchises *and similar rights*),
 - brokerage in financial services (included in *financial services*) and
 - Transport related fees (included in the appropriate component of *transportation services*).

4. Extended Balance of Payments: Operational leasing

- ❖ **Operational leasing services** covers resident/nonresident leasing (rental) and charters, without operators, of ships, aircraft and transportation equipment, such as railway cars, containers and rigs, without crew.
- ❖ Includes / excludes
 - ❖ Leasing payments relating to other types of goods
 - Financial leasing (financing of purchase of a capital good)
 - Leasing of telecommunications lines or capacity (included in *telecommunications services*)
 - Rental of ships and aircraft with crew (included in *transportation services*)
 - Rental of vehicles to foreign travelers (included in *travel*).

4. Extended Balance of Payments: Miscellaneous business, professional, and technical services

❖ Detailed breakdown

1 Legal, accounting, management consulting, and public relations

- 1.1 Legal services
- 1.2 Accounting, auditing, bookkeeping, and tax consulting services
- 1.3 Business and management consulting and public relations services

2 Advertising, market research, and public opinion polling

3 Research and development

4 Architectural, engineering, and other technical services

5 Agricultural, mining, and on-site processing services

- 5.1 Waste treatment and de-pollution
- 5.2 Agricultural, mining, and other on-site processing services

6 Other business services ← slide

7 Services between related enterprises, n.i.e. ← slide

(BPM5 supplementary items)

4. Extended Balance of Payments: → Other business services

❖ **Other business services** = any other business services transactions between residents and non-residents that cannot be classified to any of the business services listed above

- ❖ Placement of personnel
- ❖ Security and investigative services
- ❖ Translation and interpretation
- ❖ Photographic services
- ❖ Building cleaning
- ❖ Real estate services to businesses
- ❖ Distribution services of electricity, water, gas and other petroleum products, where these are identifiable separately from transmission services (included in *pipeline transport and electricity transmission*).

4. Extended Balance of Payments: → Services between related enterprises, n.i.e.

❖ **Services between related enterprises, n.i.e.**

Residual category covering payments between related enterprises for services that cannot be specifically classified to any other component of EBOPS

- ❖ Contributions to the general management costs of the branches, subsidiaries and associates (for planning, organizing and controlling)
- ❖ Reimbursements of expenses settled directly by parent enterprises
- ❖ Overhead expenses

4. Extended Balance of Payments: **Personal, cultural and recreational services**

- ❖ Two subcomponents:
 1. **Audiovisual and related services**
 2. **Other personal, cultural and recreational services.**

4. Extended Balance of Payments: Personal, cultural and recreational services

- ❖ **Audiovisual and related services** comprises services and associated fees related to the production of motion pictures, radio and television programmes and musical recordings.

→ Includes / excludes

- ❖ Receipts or payments for rentals
- ❖ Fees received by resident actors, producers etc. for productions abroad (or vice versa)
- ❖ Fees for distribution rights sold to the media for a limited number of showings in specified areas;
- ❖ Access to encrypted television channels (such as cable services).
- Purchases and sales of films, television and radio programmes, recorded music, musical compositions and manuscripts, and the rights to these (purchases and sales of merchandise and assets)
- sale of rights for video editions of films and television programmes.
→ Purchases and sales of rights should be included in the memorandum item *audiovisual transactions*.

4. Extended Balance of Payments: Personal, cultural and recreational services

- ❖ **Other personal, cultural and recreational services** include such services as those associated with museums, libraries, archives and other cultural, sporting and recreational activities.
- ❖ Two separate subcomponents, beyond the detail recommended in BPM5, should be identified here for GATS purposes:
 1. **Education services** = services supplied between residents and non-residents relating to education, such as correspondence courses and education via television or the Internet, as well as by teachers etc. who supply services directly in host economies.
 2. **Health services** = services provided by doctors, nurses and paramedical and similar personnel, as well as laboratory and similar services, whether rendered remotely or on-site.
 - Excluded is all expenditure by travellers on education and health (included in travel).

4. Extended Balance of Payments: Example: Dentist

- ❖ Dentist provides Dental services (CPC 93123)
 1. in his home country to a traveler
→ in **Travel**
 2. abroad (but not employed abroad) to residents of other countries
→ in **Other personal, cultural and etc. services**
 3. working abroad at a military base / hospital to residents of other countries
→ in **Government services, n.i.e.**

4. Extended Balance of Payments: **Government services, not included elsewhere (n.i.e.)**

- ❖ Residual category covering government transactions (including those of international organizations) not contained in the other components of EBOPS.

Includes / excludes (for example)

- ❖ All transactions (in both goods and services) by embassies, consulates, military units and defence agencies with residents of economies in which the embassies, etc. are located and all transactions with other economies.
- But excluded are transactions with residents of the home economies
- ❖ Personal expenditures incurred by diplomats and consular staff and military personnel, as well as their dependants in the economies in which they are located.
- ❖ Expenditures by other official entities (such as aid missions and government tourist, information and promotion offices) located in economies abroad.

4. Extended Balance of Payments: **Government services, not included elsewhere (n.i.e.)**

- ❖ A breakdown of this item into services transacted by
- ❖ **1 Embassies and consulates**
- ❖ **2 Military units and agencies**
- ❖ **3 Other (Other government services)**

5. WTO GATS Sectoral Classification List W/120 - GNS/W/120 origin -

- ❖ In 1991, the GATT secretariat produced a note setting out a classification of service sectors, known as the **GNS/W/120 Services Sectoral Classification** list, resulting from consultations with member countries.
- ❖ The list identified relevant sectors and sub-sectors with regard to national services regulations so that specific commitments on these regulations could be made and negotiated.
- ❖ GNS/W/120 should thus be considered as a negotiating list rather than as a statistical classification.
- ❖ In order to assist the clear delineation of each sub-sector, codes from Provisional CPC were assigned to each of the subsectors.

5. WTO GATS Sectoral Classification List W/120 - GNS/W/120 purposes -

- ❖ Trade negotiators require statistics
 - As a guide to negotiate specific commitments in trade in services
 - To monitor compliance and the resulting changes for each type of service.
 - Statistics can aid the evaluation of market access opportunities;
 - Inform decisions on negotiating priorities and strategy;
 - Support the comparison of commitments;
 - Facilitate the assessment of the extent of liberalization achieved in specific services and markets;
- Provide a statistical background for the settling of disputes.

- ❖ Private business also needs the information
 - To be aware of the possibilities offered by trade liberalization.

- ❖ The analysis of markets requires that trade data can be linked to output data, whether in terms of activities or of products

5. WTO GATS Sectoral Classification List W/120 - Major categories -

- ❖ The 12 major sectors in the GNS/W/120 list are:
 1. Business services.
 2. Communication services.
 3. Construction and related engineering services.
 4. Distribution services.
 5. Educational services.
 6. Environmental services.
 7. Financial services.
 8. Health-related and social services.
 9. Tourism and travel-related services.
 10. Recreational, cultural, and sporting services.
 11. Transport services.
 12. Other services not included elsewhere.

5. WTO GATS Sectoral Classification List W/120 - Structure -

Sectors and sub-sectors → Correspondence
to Prov. CPC

1. Business services

A. Professional services

a. Legal services

861

b. Accounting, auditing and bookkeeping services

862

...

B. Computer and related services

...

2. Communications Services

...

5. WTO GATS Sectoral Classification List W/120 Link EBOPS – CPC – GNS/W/120

❖ **Two correspondence tables in Annex III of the MSITS Manual**

1. EBOPS - CPC, Version 1.0 - GNS/W/120

correspondence (Link to specific GATS services)

2. GNS/W/120 - CPC, Version 1.0 - EBOPS

correspondence (Link to statistics)

Note: Annex IV provides Correspondence between ISIC Categories for Foreign Affiliates (ICFA) and Extended Balance of Payments Services Classification (EBOPS)

5. WTO GATS Sectoral Classification List W/120

- Differences GNS/W/120 to BPM5/ EBOPS -

❖ The 11 main BPM5 services components together match the GATS product coverage relatively well, with several exceptions:

1. For the most part, the component *government services, not included elsewhere (n.i.e.)* is excluded from GATS.
2. 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.
3. Some BPM5 components, especially *travel*, include transactions in goods.
4. BPM5 includes payments for *royalties and license fees*. Except for franchise payments, this component is excluded from GATS coverage.

5. WTO GATS Sectoral Classification List W/120 - EBOPS categories → GNS/W/120 sectors -

1. Transportation	→ 11. Transportation Services
2. Travel	N/A
3. Communications services	→ 2. Communication services
4. Construction services	→ 3. Construction and related engineering services → 1.F (Site formation and clearance services)
5. Insurance services	→ 7.A Financial services ... → 7.B (Portfolio management services)
6. Financial services	→ 7.B Financial services ...
7. Computer and information services	
7.1 Computer services	→ 1.B / 2.C / 1.F
7.2 Information services	→ 10.B / 1.B
8. Royalties and license fees	N/A / 4.D Distribution Services ...

← “Good” correspondence (except for travel)

“Not so good” correspondence →

5. WTO GATS Sectoral Classification List W/120 - EBOPS categories → GNS/W/120 sectors -

9. Other business services

9.1 Merchating and other trade related services

9.1.1 Merchating → 4A 4B 4C

9.1.2 Other trade related services → 1E

9.2 Operational leasing services

9.3 Miscellaneous business, professional...

9.3.1 Legal, accounting... → 1A 1F

9.3.2 Advertising ... → 1F

9.3.3 Research and development → 1C

9.3.4 Architectural ... → 1A 3E 1F

9.3.5 Agricultural, mining, and on-site...

9.3.5.1 Waste treatment and de-pollution → 1F 6A 6B 6C 6D

9.3.5.2 Agricultural, mining, other on-site... → 1F

9.3.6 Other business services → 9B N/A 1D 1A 1B 1F 11A 11C 3E

9.3.7 Services between related enterprises → 1F

10. Personal, cultural, and recreational services

10.1 Audiovisual and related services → 1E 2D 10A

10.2 Other personal, cultural etc. services → 5A 5B 5C 8A 8B 8C 1A 9A 10C
10A 10D 12

11. Government services, n.i.e. → 12 N/A

5. WTO GATS Sectoral Classification List W/120
EBOPS categories → GNS/W/120 sectors

- Conclusions -

1. Partly different scope (such as Travel, incl. goods)
2. EBOPS partly not detailed enough (Other business services, cultural or educational services)
3. Partly no good correspondence (1A, 1F, 10A)
4. The more detailed EBOPS data is available the better the correspondence to GNS/W/120 sectors and sub-sectors

6. Revision processes of CPC, BPM5 and EBOPS - BPM5 and MSITS -

❖ BPM5 Revision: It is expected that the revised manual will be finalized by the end of 2008.

- Major changes to the framework are not proposed.
- An *Annotated Outline (AO)* of the new manual has been released in April 2004
- Linked to SNA update which is scheduled to be put forward to the Statistical Commission (SC) in March 2008
- Includes a review of the BOP classification and the Extended Balance of Payments Services Classification (EBOPS)

❖ Updated MSITS by the end of 2008, for submission to the Statistical Commission in 2009.

→ Information on Revision of BMP5

<http://www.imf.org/external/np/sta/bop/iss.htm>

→ Information on Update of the 1993 SNA

<http://unstats.un.org/unsd/nationalaccount/snarev1.asp>

→ Information on Update of the MSITS

<http://unstats.un.org/unsd/statcom/doc05/2005-6e.pdf>

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6. Revision processes of CPC, BPM5 and EBOPS - CPC and ISIC -

- ❖ Next revision of International Standard Industrial Classification of All Economic Activities (ISIC) and the Central Product Classification (CPC) in 2007
 - in accordance with the with the five yearly revision cycle agreed on by the SC, thereby keeping the classifications relevant
 - In 2004 a draft version of ISIC Rev. 4 has been circulated world wide for comment. A revised draft proposal for CPC Vers. 2.0 will be circulated to countries in early 2005.
 - Of the three driving forces condition any revision, relevance, comparability and continuity, comparability will be a very important factor for the 2007 revision.

→ Information on Revision of ISIC and CPC
<http://unstats.un.org/unsd/cr/registry/regrev.asp?Lg=1>

6. Revision processes of CPC, BPM5 and EBOPS - Specific aims of CPC revision -

- ❖ To better reflect requirements of globalization, international trade and the changing organization of production and the products of the 'Information sector' or Information and Communications Technologies.
- ❖ Better link to EBOPS, where possible, at an intermediate level, i.e. by introducing additional detail or minor structural changes.

Problems:

1. Scope issues: Repairs and processing services are not services in EBOPS
2. Groupings in EBOPS a mix of product-based and transactor-based concept while CPC is strictly product based: Travel, Services between affiliated enterprises, Government services, n.i.e.
→ clean link not possible

6. Revision processes of CPC, BPM5 and EBOPS - EBOPS/ BPM6 proposals -

- ❖ Repairs and Processing of Goods to be reclassified as services ?
- ❖ Re-arrangement of Communication services ?
 - Telecommunication to Computer services
 - Postal and courier services to Transportation
- ❖ Construction services – adoption of EBOPS treatment in BPM6 ?
- ❖ Inclusion of FISIM ?
- ❖ Alternative breakdown for travel ?

Additional questions raised for example on classification of variety of information products such as software licenses and Government services, n.i.e. (i.e. education and health)

(Several 'players' BOPCOM, SNA AEG, ITFSITS, UN TSG on Classifications)

Note: Not all of EBOPS will become standard BPM items.