

Services Transactions between Residents and Non-residents Chapter 3 of MSITS 2010

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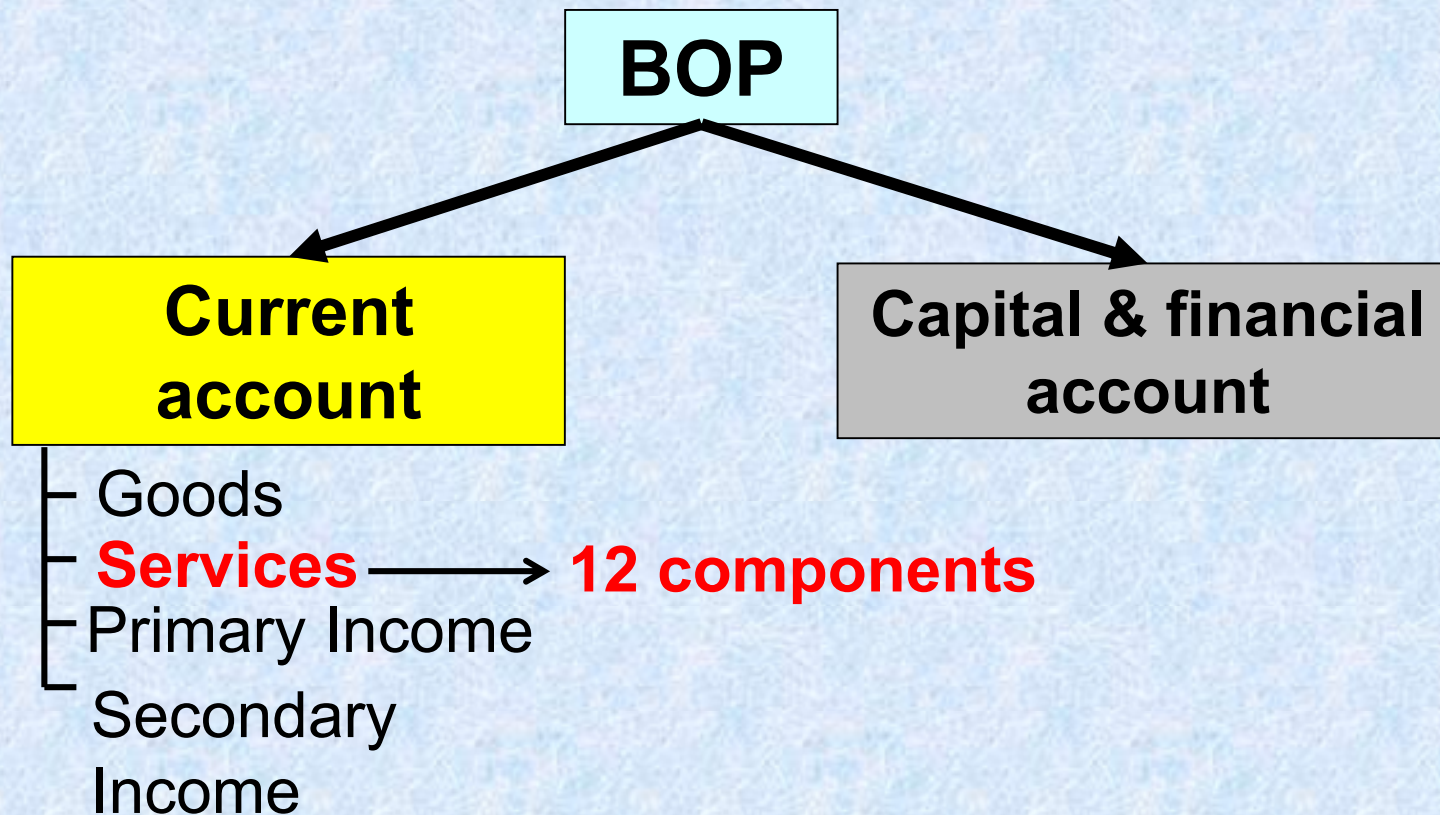
Rio de Janeiro TIS Seminar

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Source: WTO training module

The Balance of Payments

Where are the services transactions in the BOP?



BPM6 Main Services Components

- 1. Manufacturing services on physical inputs owned by others**
- 2. Maintenance and repair services n.i.e.**
- 3. Transport**
- 4. Travel**
- 5. Construction**
- 6. Insurance and pension services**
- 7. Financial services**
- 8. Charges for the use of intellectual property n.i.e.**
- 9. Telecommunications, computer and information services**
- 10. Other business services**
- 11. Personal, cultural and recreational services**
- 12. Government goods and services n.i.e.**

Extended Balance of Payments Services Classification (EBOPS 2010)

What is it?

- **consistent** with BPM6
 - more **detailed**
- **useful** in GATS negotiations
- **in the new Manual on Statistics of International Trade in Services**



1. Manufacturing services on physical inputs owned by others

Goods
for processing

Services undertaken by enterprises
that do not own the goods

Assembly of
clothing




Oil refining

Liquefaction
of natural
gas


Packing

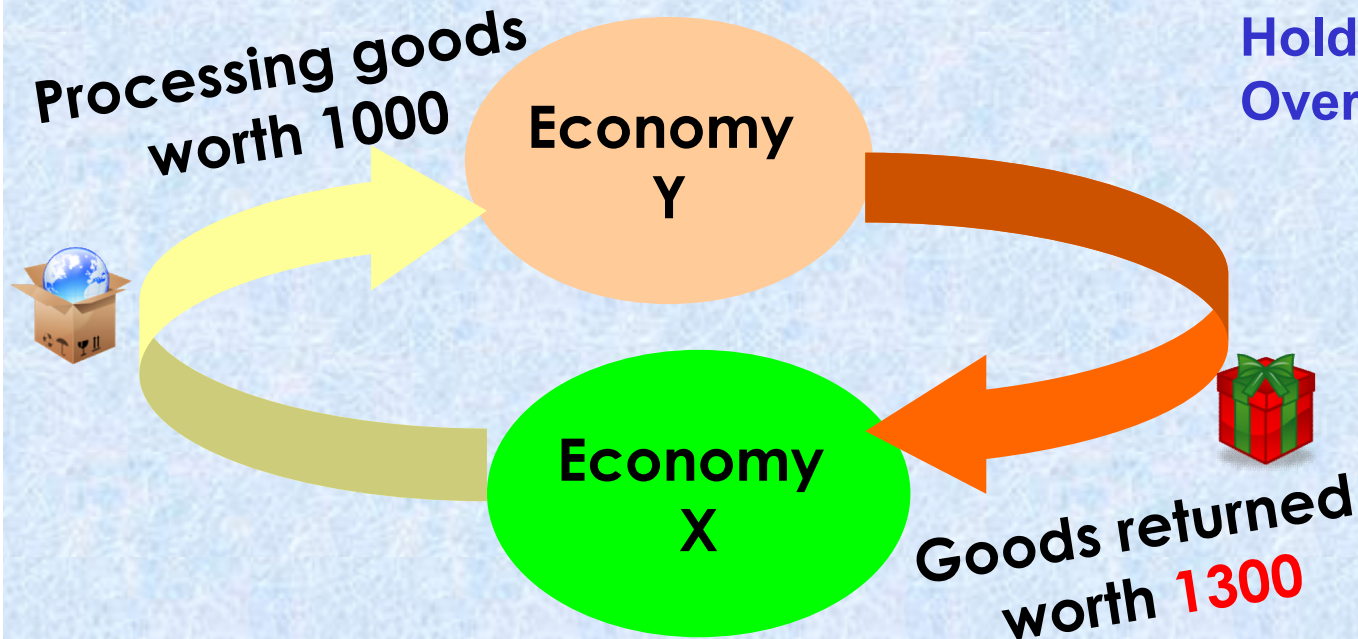
Assembly of
electronics

Labelling

How do we calculate the **manufacturing fee**?



Example



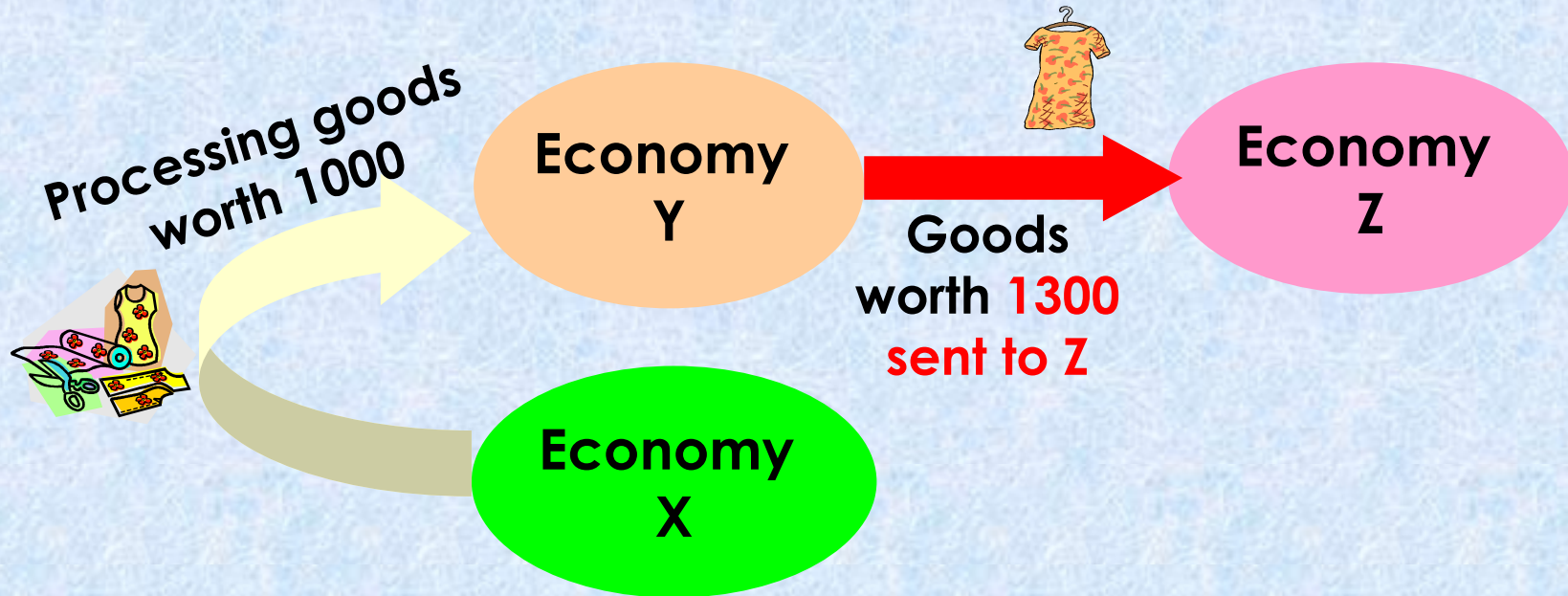
Difference	300
Manufacturing fee	120
Holding gains	80
Overheads	100

Not a simple subtraction....

X imports manufacturing services for 120 from Y

Y exports manufacturing services for 120 to X

Another example



....Gross value in merchandise exports of Y to Z

For economies heavily engaged in processing....

In BPM6

Processing abroad

- Goods sent
- Goods returned

**Processing in the
compiling economy**

- Goods received
- Goods sent

Recorded as supplementary items

2. Maintenance and repair services n.i.e.

Services performed by residents on goods that are owned by non-residents (and vice versa).



Ships



Aircrafts



**Other transport
equipment**



Other...





Sea

3. Transport



Rail

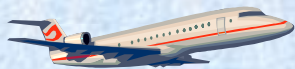
Transport of objects and passengers
and auxiliary transport services
by all modes of transportation



Road



With BPM6 also
postal and courier services



Air



Pipeline



Space



Inland
waterways

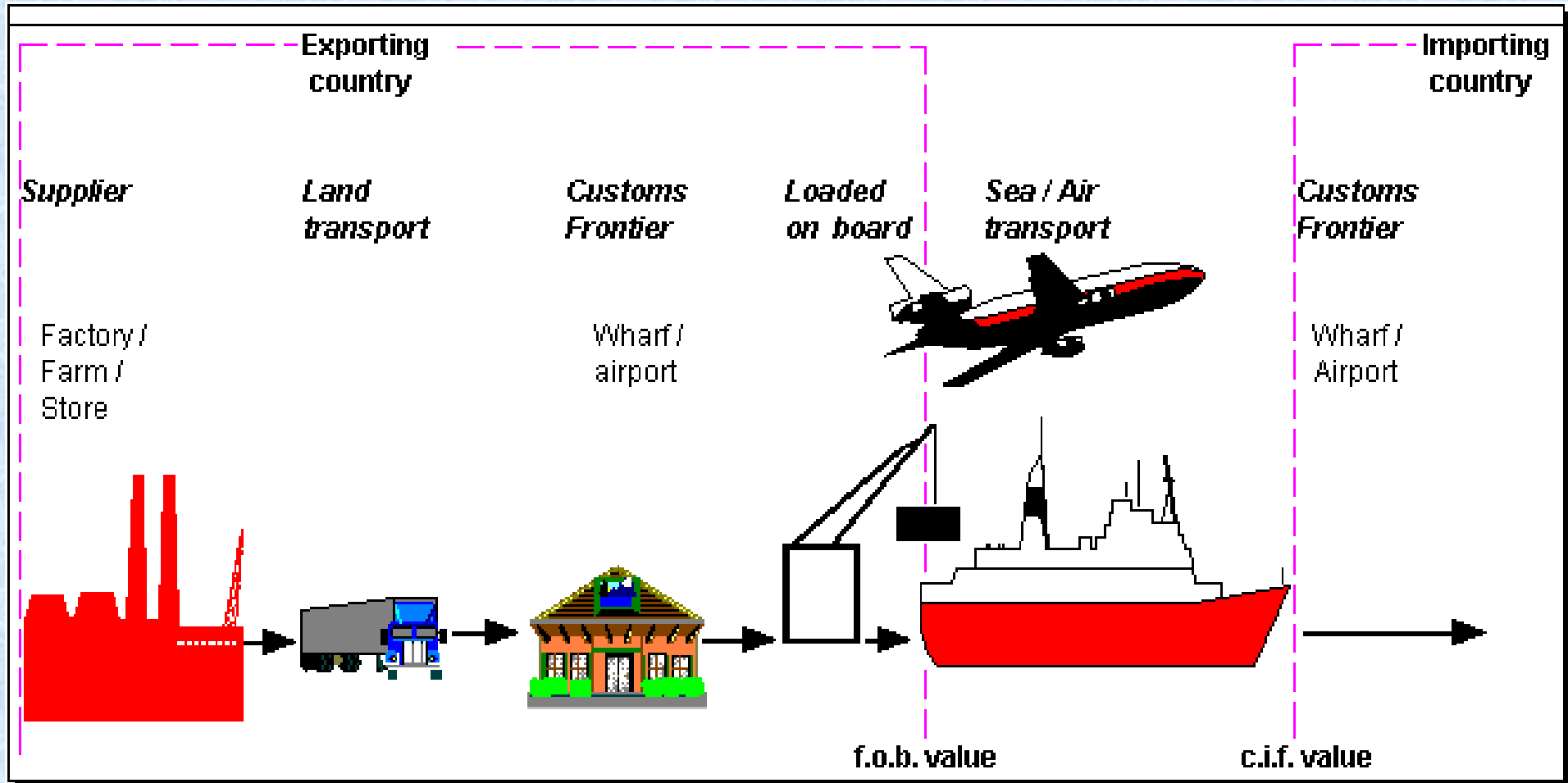
EBOPS 2010

3. Transport

Alternative 1:
By mode of transport

- Sea transport
 - Passenger
 - Freight
 - Other
- Air transport (passenger, freight, other)
- Other modes of transport (passenger, freight, other)
- Post and courier services
 - Space transport
 - Rail transport
 - Passenger; Freight; Other
 - Road transport
 - Passenger; Freight; Other
 - Inland waterways transport
 - Passenger; Freight; Other
 - Pipeline transport
 - Electricity transmission
 - Other supporting and auxiliary services

Transportation Freight Estimates





3. Travel

Includes goods and services, acquired by the traveller for his own use or to give away.

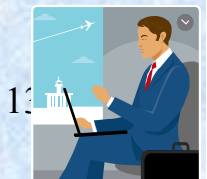
Business Travel

- Acquisition of goods and services by border and seasonal workers
- Other

Personal Travel

- Education-related
- Health-related
- Other

No correspondence with CPC Ver.2



Alternative breakdown of Travel in BPM6...

- Goods

- Local transport services

- Accommodation services

- Food-and-beverage-serving services

-Other travel-related services

-Health- related

-Education-related

*More interesting
for GATS purposes!*

5. Construction



Site preparation
creation, extension,
renovation, and
repair of buildings



Painting



Plumbing

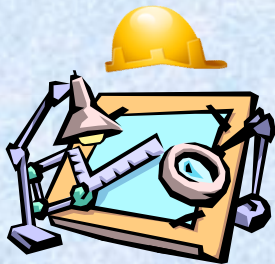


Demolition



Management of
construction
projects.

and other specialized
services....



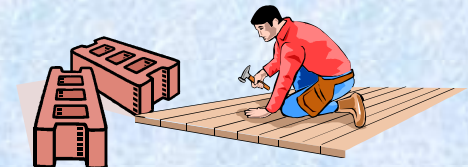
Land
improvements
of an engineering
nature



Engineering
constructions

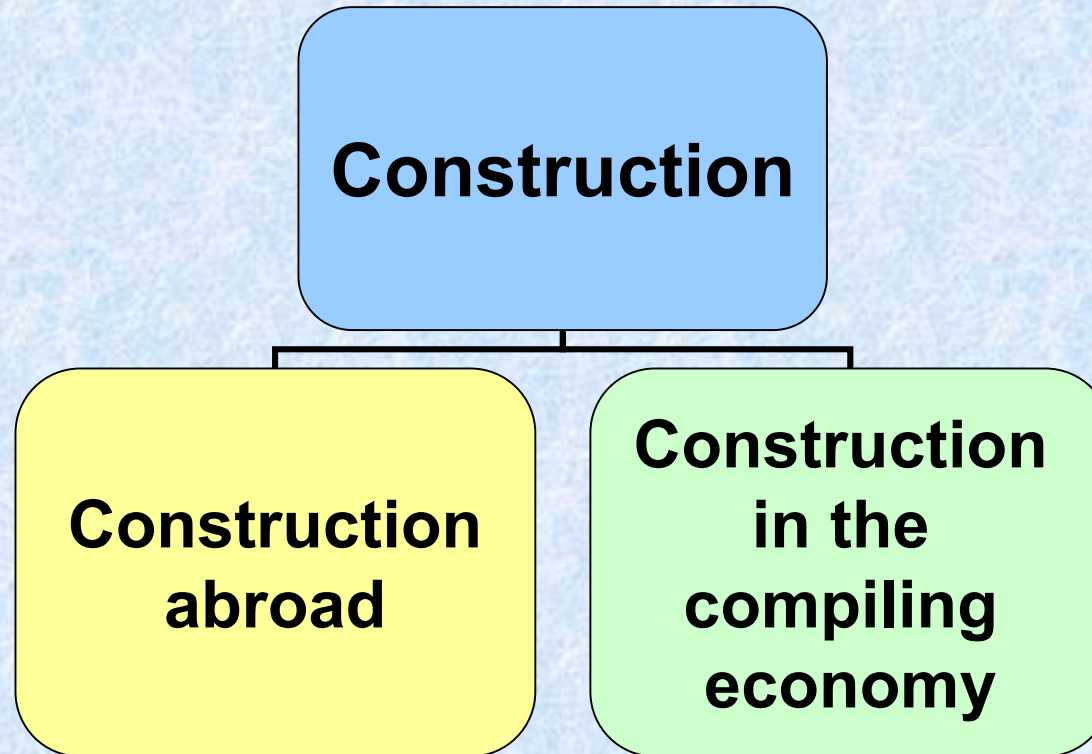


Installation
and assembly



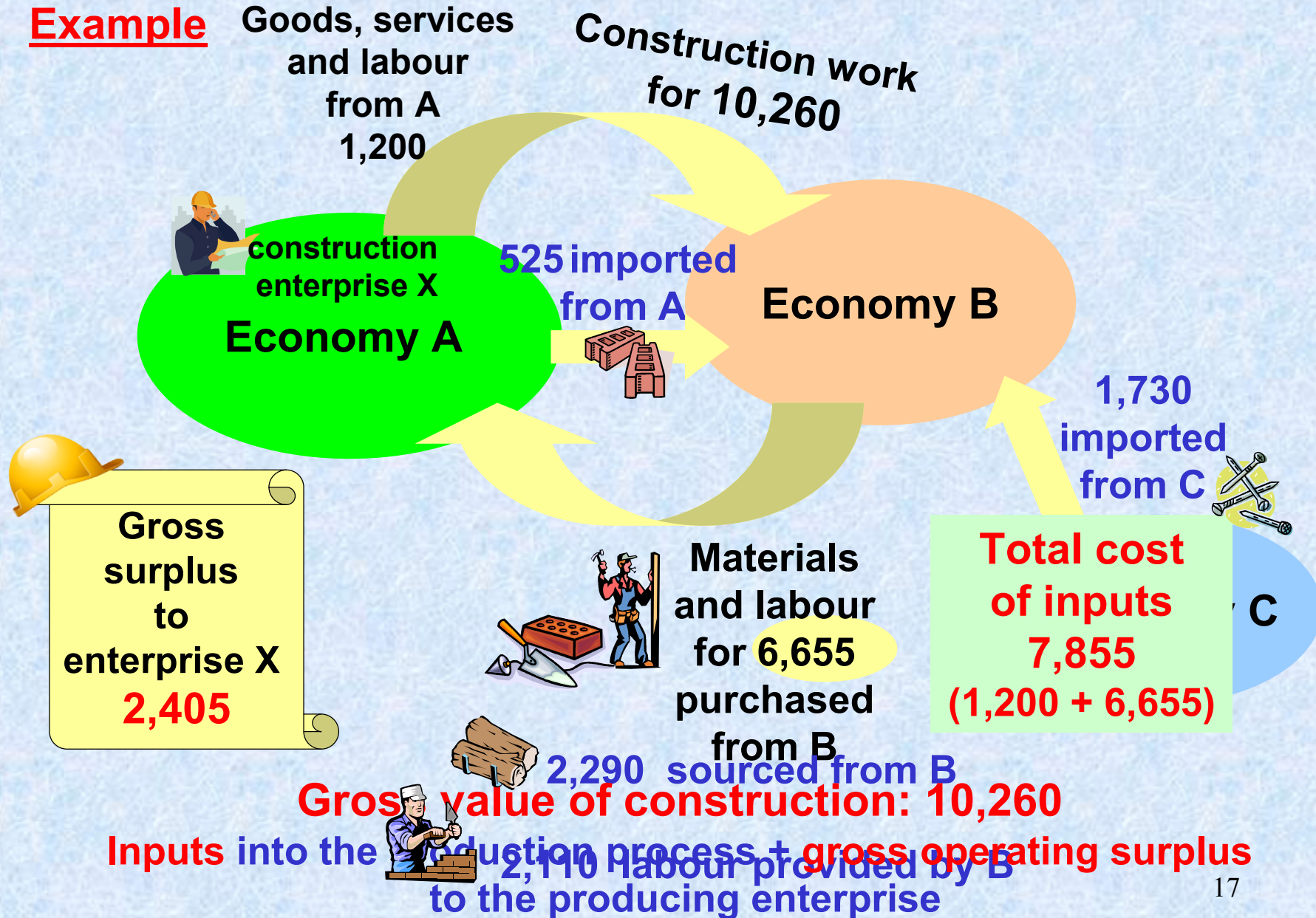
Goods and
services bought
in construction
economy

In the BOP construction can be disaggregated into...



How to measure construction

Example



How to record these transactions in BOP according to BPM6?

Economy A

**Construction
abroad**

Credit: 10,260

Debit: 4,545

Gross value added
of construction in economy B

Economy B

**Construction
in the compiling
economy**

Credit: 4,545

Debit: 10,260



6. Insurance and pension services

Provision of insurance to non-residents by resident insurance enterprises, and vice versa.

such as

- Life insurance and annuities
- Non-life insurance
- Reinsurance,
- Freight insurance
- Pension schemes
- Auxiliary services to insurance, and standardized guarantees schemes.



6. Insurance and pension services

Adjustment for claims volatility

- Gross premiums earned
- Plus: premiums supplements
- Less: expected claims



7. Financial services

Trade in financial services is difficult to measure!

Very technical field

**Part of financial services can be measured
only indirectly (FISIM)**

BPM6: expanded coverage compared to BPM5



Financial services in BPM6

7. Financial Services

- Explicitly charged and other financial services
- Financial intermediation service charges indirectly measured (FISIM)

FISIM and other implicit financial services are included, with a ***method for calculation based on the reference rate.***

Stronger concordance with 2008 SNA

1993 System of National Accounts

$$\mathbf{FISIM} = (r_l - r_r) \times L + (r_r - r_d) \times D$$

FISIM for borrowers

FISIM for lenders

r_l interest rate on loans

r_r reference interest rate

r_d interest rate on deposits

L amount of loans

D amount of deposits

Calculation of FISIM: An Example

For resident deposit-taking corporations; (all loans and deposits in domestic currency.)

Inter-bank interest rate (reference rate rr) 5% per annum.

Average value of loans during the year—1000 (L)

Actual interest receivable by the deposit-taking corporations—70 (lr rate on loans rl=7%)
partitioned into:

50 pure interest receivable (derived as 1000 at 5%)

20 FISIM receivable (derived as 70 - 50)

Average value of deposits during the year—500 (D)

Actual interest payable by the deposit-taking corporations—10 (lr on deposits : rd=2%)
partitioned into:

25 pure interest payable (derived as 500 at 5%)

15 FISIM receivable (derived as 25 - 10)

Total FISIM receivable by the deposit-taking corporations—35 (20+15)

$$\text{FISIM} = (rl-rr) \times L + (rr-rd) \times D$$

$$\text{FISIM (35)} = (0,07-0,05) \times 1000 + (0,05-0,02) \times 500$$

8. Charges for the use of intellectual property n.i.e

8.1 Franchises and trademarks licensing fees

8.2 Licenses for the use of outcomes of research and development

8.3 Licenses to reproduce and/or distribute computer software

8.4 Licenses to reproduce and/or distribute audiovisual and related products

8.4.1 Licenses to reproduce and or distribute audiovisual products

8.4.2 Licenses to reproduce and/or distribute other products

		Use of intellectual property	Sale/purchase of ownership rights*3
Franchises and trademarks		charges for the use of intellectual property n.i.e.	Balance of payments capital account
Outcomes of research and development		charges for the use of intellectual property n.i.e	research and development services
Computer software products; audiovisual and related products:	License to use excluding reproduction and distribution*1	License to reproduce and/or distribute*2	
(a) Customized all types	relevant service item*4	charges for the use of intellectual property n.i.e.	relevant service item*4
(b) Non-customized—downloaded or otherwise electronically delivered	relevant service item*4		
(c) Non-customized—provided on physical media with periodic license fee	relevant service item*4		
(d) Non-customized —provided on physical media with right to perpetual use	Goods		



9. Telecommunications, computer and information services

New aggregation in BPM6

**Telecommunications,
computer and
information
services
in EBOPS 2010**

- Telecommunications services
- Computer services
 - Computer software (of which originals)
 - Other computer services
- Information services
 - News agency services
 - Other information services





10. Other Business Services



Very heterogeneous
group of services...

Main EBOPS 2010 aggregates

- Research and development services
- Professional and management consulting services
- Technical, trade-related and other business services

10. Other
Business
Services



EBOPS 2010 Breakdown

10. Other Business Services



- Research and development services
 - *Work undertaken on a systematic basis to increase the stock of knowledge*
 - Provision of customized and noncustomized R&D services
 - Sale of proprietary rights arising from R&D
 - Patents
 - Copyrights arising from R&D
 - Industrial processes and design (including trade secrets)
 - Other
 - *Other (testing and other products/process development activities)*

EBOPS 2010 Breakdown

10. Other Business Services




(continued)

- Professional and management consulting services
 - Legal, accounting, management, consulting and public relations
 - Legal services
 - Accounting, auditing, bookkeeping, and tax consulting services
 - Business and management consulting and public relations services
 - Advertising, market research, public opinion polling
 - of which Convention, trade-fair and exhibition organization services*
- Technical, trade-related and other business services
 - Architectural, engineering, scientific and other technical services
 - Architectural services
 - Engineering services
 - Scientific and other technical services

EBOPS 2010

Breakdown

10. Other Business Services



(end)

- Waste treatment and de-pollution, agricultural and mining services
 - Waste treatment and de-pollution
 - Services incidental to agriculture, forestry and fishing
 - Services incidental to mining, and oil and gas extraction
- Operating leasing services
- Trade-related services
- Other business services n.i.e
 - of which: Employment services i.e. search, placement and supply services of personnel

11. Personal, cultural and recreational services



**Personal,
cultural and
recreational
services
in EBOPS 2010**

- Audiovisual and related services
 - Audiovisual services
 - of which: originals
 - Artistic related services
- Other personal, cultural and recreational services
 - Health services
 - Education services
 - Heritage and recreational services
 - Other personal services



12. Government goods and services n.i.e.

Government goods
and services n.i.e.
in **EBOPS 2010**

- Embassies and consulates
- Military units and agencies
- Other government services

Breakdown based on the transactor
rather than the type of transaction



Complementary groupings

- **Audiovisual transactions** (of which license to use audiovisual products)
- **Computer software transactions** (of which license to use computer software products)
- **Call centre services**
- **Transaction between related enterprises**
- **Trade related transactions**
- **Environmental transactions**
- **Health services**
- **Education services**
- **Cultural transactions**

Summary of recommendations 1/2

1. BPM6 recommendations on the principles of recording (residence, valuation, time of recording, currency of recording and conversion should be followed).
2. Compilation according to EBOPS 2010. Highest priority at level of BPM6.
3. By partner country for 12 main components

Summary of recommendations 2/2

4. Total services transactions compiled separately for transaction with related and unrelated parties.
5. Each EBOPS components should be allocated either to one dominant mode, or whether there is no single dominant mode, the most significant mode of supply. (This is accorded a low priority).