Results of EU consultation "Goods for processing"

• Necessity for reassessing the issue

• Consultation of EU 25 MS in 2004

• Presentation to BOPWG in March



The methodological issue

Unit-E4

• Dual nature of processing

- Industrial activity
- Trade in services

• Two alternative treatments in BOP

- Transaction on a gross basis as <u>Goods</u>
- Services measured by a net margin



Evolution of Context in 2004

Unit-E4

- Meetings for revision of BPM5 and SNA93
 - BOPTEG in June
 - BOPCOM in October at Pretoria
 - BOPTEG in November/December
 - AEG in December
- Reopening of debate on Processing
 - National Accountants favour net treatment
 - Division of international Groups
- IMF/UNSD to consult BOPCOM and AEG members

Eurostat consultation

Unit- 94

• Written consultation of 25 MS by Unit C4

- Question aimed at defining a common position
- **Consultation by e-mail**
- Period of October to December 2004

Internal contacts within Eurostat

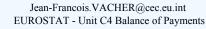
- **Foreign Trade Statisticians**
- National Accountants



ANSWERS OF MEMBER STATES (1) CHARACTERISTICS OF RESULTS

Unit-24

- High response ratio: 22 MS out of 25 MS
- 3 kinds of general positions:
 - **16 MS in favour of status quo (i.e. goods)**
 - **4 MS in favour of treatment as services**
 - **2 MS undecided**
- No clear-cut but rather elaborated answers





ANSWERS OF MEMBER STATES (2) ARGUMENTS IN FAVOUR OF STATUS QUO

Need for consistency with NA and FTS (8 times out of 16)

- 2. Practical collection difficulties otherwise
- **3.** Risk of double counting BOP/FTS
- 4. Increasing asymmetries

1.

- 5. Economic importance of processing for some MS
- 6. Continuity of time series
- 7. Classifications issues
- 8. Physical nature of goods



ANSWERS OF MEMBER STATES (3) ARGUMENTS IN FAVOUR OF REVERSAL

Unii-E4

1. Some MS tend to go with the apparently **prevailing opinion** in BOPCOM, BOPTEG and AEG, provided that there is no conflict with FTS.

2. Others bring **specific issues**:

- Intra/Extra trade
- Distinction substantial/little change
- Net recording as goods
- **3.** One has a **more complex** position:
 - Risks of increased asymmetries
 - Discussion even on necessity of consistency with SNA





ANSWERS OF MEMBER STATES (4) ARGUMENTS FOR SPLIT RESPONSES

Unit-E4

- Consideration of both pros and cons on an equal footing
- Readiness to go along with dominant position at international level



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INTERNAL CONTACTS POSSIBLE AGREEMENT ?

Unit-04

• Foreign Trade Statistics:

- Reference to UN concepts and definitions
- Task Force on International Merchandise Trade Statistics
- Consideration of industrial nature of processing
- Full agreement with BOP Unit C4 on Goods

National Accounts:

- Importance of outsourcing
- Data based on Enterprise Value Added
- Apparent division inside Eurostat,
- Leaning towards AEG position

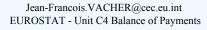


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Conclusions

Unit-84

- Convergence on keeping status quo:
 - expressed preference of BOP and FTS for treatment as Goods
 - Potential compromise with National Acounts
- **BOPWG to** approve EU position in March





Unit-E-1

End of presentation





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