

Summary of Comments on the Draft Classification of
International Transactions in Services

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I. Introduction

This note presents a final summary of comments on the Draft Classification of International Transactions in Services, hereafter referred to as the "Draft Classification." The Draft Classification, prepared by the Fund's Bureau of Statistics, was initially submitted for consideration by the participants in the Expert Group Meeting on Harmonization of Economic Classifications (April 1988), and subsequently circulated for comment by national balance-of payments compilers and national accounts statisticians as well as the statistical offices of the European Economic Community (EEC), the Organization for Economic Cooperation and Development (OECD), and the United Nations. A copy of the Draft Classification is reproduced in Appendix I for convenience.

In preparing the Draft Classification, account was taken of (a) the recommendations of the Expert Group on External Sector Transactions; (b) the recommendations of the Group of Balance of Payments Compilers; and (c) the work undertaken thus far by interested regional and international agencies, such as the EEC, the OECD, and the United Nations Statistical Office (UNSO) in the area of international trade in services in the context of the revision of the United Nations' A System of National Accounts (SNA) and the current edition of the Balance of Payments Manual (BPM).

The Draft Classification pertains only to the "services" component of goods and services; remunerations of the factors of production (compensation of employees, interest payments, etc.) are treated as factor incomes. In this regard, it should be noted that the Expert Group on External Sector Transactions had recommended that a distinction within the current account be made in respect of goods and services, factor incomes, and unrequited transfers.

In April 1989, a first summary of comments on the Draft Classification was circulated to national balance of payments compilers with a view to incorporating the responses of countries that had not replied to the Draft Classification. At the same time, a copy of the first summary of comments was also sent for information to countries that had responded. Subsequent to this date, replies were received from 18 respondents and one country which had previously responded. Therefore, as of the end of August 1989, replies were received from a total of 56 respondents from 53 countries and three international agencies viz., the EEC, the OECD, and the UNSO. Six countries (Malawi, the Maldives, Myanmar, Somalia, Swaziland, and Togo) had no comments on the Draft Classification and implicitly agreed with the Draft Classification, although some reservations were expressed about the availability of data in respect of the detailed items proposed. For example, the respondent from Swaziland indicated that some of the detailed categories for services proposed in the Draft Classification are either nonexistent or negligible in that small and open economy. However, in his view, there appeared to be no problem regarding the adoption of the Draft Classification.

Of the remaining 47 countries, 14 are developed market economies and 33 are developing countries (of which eight are from Africa, twelve from Asia, nine from Latin America and the Caribbean, and two each from Europe

and the Middle East). Seven countries (Antigua and Barbuda, Austria, Cyprus, the Maldives, Myanmar, Spain, and Togo) made observations from the point of view of the national accounts. Three countries (Germany, Sweden, and Thailand) made observations from both the balance of payments and national accounts point of view. The Swedish Central Bureau of Statistics had no comments in this regard.

II. General Comments

An overwhelming majority of the respondents agreed with the proposed Draft Classification and viewed it as a good effort to create a coherent, adequate, and comprehensive conceptual framework for the analysis of international trade in services. Most respondents noted that the Draft Classification provided a sound framework for the presentation of data on international transactions in services, and made a good basis for the classification of services in the context of the planned revision of the BPM. One respondent (the Netherlands) stated that irrespective of the specific comments (see below), he is in agreement with the broad outline of the Draft Classification as it makes an important step forward to better and more detailed statistics on international transactions in services. Similarly, the Nigerian respondent stated that although categories 3-11 are small and may not merit separate treatment in the Nigerian balance of payments, he did not have cause to suggest any amendments to the Draft Classification which, in his view, had successfully achieved the main task of the Expert Group on External Sector Transactions.

* Most respondents were pleased to see an increased correspondence between the classifications of different international organizations and expressed the hope that the remaining differences will be eliminated as soon as possible. They were also pleased to see a common concept being adopted by most organizations participating in the project for the classification of services. Some stated that the collection of data using different classifications is becoming virtually impossible given their limited resources. Thus, there was wide support for having a classification that is internationally agreed upon in order to promote greater consistency, comparability, and harmonization than exists at present in this important area of statistics. The respondent from Greece stated that existing differences should be minimized with the objective of attaining a harmonized common classification. The EEC respondent stated that there should be only one nomenclature or classification at the international level and the balance of payments classification should be as consistent as possible with the Central Product Classification (CPC).

The majority of respondents had no difficulty with the proposed standard components of the Draft Classification, as shown in pages 4-6 of Appendix I. In fact, a number of them (Germany, Rwanda, and the United States) stated that the Draft Classification had taken account of their

concerns and the number of standard components and additional details seemed appropriate. The respondent from the United States stated that the Draft Classification had made significant improvements by providing separate categories for travel and government transactions and by moving to the residual category items that are unlikely to be significant in an international context. Similarly, the respondent from Germany stated that the Draft Classification had correctly dispensed with all the details that are not absolutely necessary from the global data collection point of view. The respondent from Ecuador supported Germany and the United States in this regard by saying that while the number of standard components is enlarged, the level of detail is not excessive and would not require greater human or financial resources. The respondent from Kuwait, however, stated that implementing the Draft Classification would entail enormous statistical efforts, and certain items, which he had already supported, cannot be collected at this time.

The respondents from Australia, the United Kingdom, the EEC, and a number of developing countries (Indonesia, Korea, and Kuwait) felt that the Draft Classification could be improved and they offered various suggestions concerning the coverage of the main categories and the separate identification of certain detailed items. The Australian respondent stated that the standard service items in the forthcoming edition of the BPM should be confined in most cases to the broad categories (one digit level) shown in Appendix I. The level of detail proposed in the Draft Classification is considered to be much greater than needed for a set of standard components. It was felt that the level of detail shown would be more suitable for supplementary tables on international transactions in services and the suggestion was made that the following service items be shown as standard components of the balance of payments:

1. Transport and storage services
 - 1.1 Passenger transportation
 - 1.2 Freight transportation (including other distributive services)
 - 1.3 Other transport and storage services
2. Travel
3. Postal and telecommunications services
4. Financial services
5. Insurance services
6. Government services n.i.e.
7. Business services n.i.e.
 - 7.1 Computer services
 - 7.2 Other business services
(including construction services, agriculture services, mining services, services incidental to manufacturing, and trade related services)
8. Miscellaneous services

A comprehensive list of detailed items from which the above mentioned balance of payments standard components could be drawn as suggested by the respondent from Australia is shown in Appendix II.

Similarly, the respondent from the United Kingdom stated that there is a considerable advantage in limiting the degree of detail to a relatively small number of broad headings, each of which is of analytical interest and would therefore require monitoring. Supplementary tables could be agreed upon to provide two further levels of detail, the first of which might be desirable for analytical purposes, but not as essential as the main headings and the second level would provide sufficient detail to produce a reconciliation with other classifications. Thus, the suggestion was made that the number of categories be reduced from the eleven proposed in the Draft Classification to eight. This could be achieved by combining categories 5 and 6 with the residual category of miscellaneous services as a single category; and combining categories 7 and 8 and renaming the combined category as "financial and trade related services." The proposed outline of the separate categories together with the second and third level of detail as suggested by the United Kingdom respondent is shown in Appendix III. The statistical office of the EEC also commented in this regard by stating that with reference to the EUROSTAT nomenclature (which has up to four digits), the new list of standard components of the balance of payments should include only one or two digit items of the detailed classification.

The respondent from South Africa supported the view of the respondents from Australia and the United Kingdom in that the standard service items should be confined to certain broad categories. In particular, he supported the Australian suggestions, except that the category of services incidental to manufacturing should, in his view, be included in the merchandise trade account rather than under services.

The respondents from Indonesia, Korea, and Kuwait also supported the Australian and the United Kingdom proposals in this regard and suggested their own classification. The Indonesian respondent suggested that the number of categories be reduced from eleven to seven by combining categories 5, 6, 7, and 8 with the business services as a single category (see Appendix IV). The respondent from Kuwait also suggested that the number of proposed categories in the Draft Classification be reduced to seven (see Appendix V). This could be achieved by combining categories 6, 7, and 8 with the business services category and including construction services with miscellaneous services. The Korean proposal would reduce the number of categories to nine by combining categories 4 and 7 with the business service category (see Appendix VI).

The respondent from Greece stated that current problems of data availability should not be overlooked as they would constitute a serious obstacle toward implementation. Greater emphasis should, in his view, be placed on obtaining better quality data for the basic categories rather

than on disaggregation, which may in fact lower the quality of data in many countries. Disaggregation should, in his view, be left to the compilers of satellite accounts rather than to balance of payments compilers per se. He agreed with the Draft Classification in that the number of categories and sub-items have been reduced to those that are basic to the services account.

Some respondents from developing countries (Chile, Ghana, Guatemala, Korea, Nigeria, the Philippines, Rwanda, Seychelles, Solomon Islands, Sudan, Swaziland, and Thailand) felt that the Draft Classification had paid little attention to the present structure of service transactions in their economies. The separate identification of many detailed service items, in their view, is not only difficult to implement, but most such items are also insignificant in dimension and value. For example, the respondents from Nigeria, Seychelles, Solomon Islands, and Swaziland agreed with and supported the proposed Draft Classification in principle. However, they stated that the practical realities made it virtually impossible to fully meet the new data requirements. Given the very small amounts involved or the absence of some of these transactions, the usefulness of such a detailed breakdown is problematic for Seychelles and Solomon Islands. The respondent from the Philippines stated that the value of processing, merchanting, research, architectural, engineering, computer, and other technical services has historically been negligible or nil and separating these services would add little analytical significance for their balance of payments statistics. Virtually, similar comments were made by the respondents from Thailand, Sudan, and Swaziland. Since, in their view, the value of these service items is likely to remain insignificant in the foreseeable future, some of these developing countries would prefer to continue to include all minor services under miscellaneous transactions.

The respondents from the Seychelles stated that it would not be feasible to furnish the details brought out in the Draft Classification. The Central Bank of Solomon Islands, however, stated that the Bank will make every effort to provide as much data as its financial and human resources will allow. The respondent from Bangladesh stated that he is in general agreement with the Draft Classification. Except for construction services, services incidental to manufacturing, and financial services, detailed data on all other items are presently compiled in Bangladesh. The respondent from Rwanda stated that since the aim is to strike a balance between countries of differing dimensions, he had no difficulty in recording service transactions separately.

III. Specific Comments

The categories of service transactions in the Draft Classification closely parallel the CPC, 1/ and are based on the nature of services produced or supplied. The only exceptions are the categories for "travel" and for "government transactions n.i.e.," which are based on the consumer of the services and for that reason have no analogues in the CPC. It should be pointed out that the scope of outlays encompassed in these transactions, as envisaged in the proposed Draft Classification, is restricted to nonfactor services only, i.e., they exclude such flows as airport taxes, which are treated as transfer payments in the SNA, as well as any factor income flows.

The classification and numbering of items mentioned below refer to the proposed standard components enumerated in the Draft Classification and shown in Appendix I, pp. 4-6.

1. Transport and storage services

Most respondents (Australia, Greece, Korea, Kuwait, Sierra Leone, and South Africa) supported this category. The respondents from Australia, Bangladesh, Malaysia, and Sri Lanka noted that the proposed classification is broadly consistent with existing standard items in their balance of payments. The subdivision into 1.1 "passenger transportation" and 1.2.1 "freight transportation" as standard components was supported by the respondents from Australia, Greece, and South Africa. However, the respondent from Australia suggested that item 1.2.2 "rental of transport equipment with crew" and item 1.2.3 "other transport and storage services" be combined and retitled "other transport and storage services." The respondent from Malaysia, however, suggested that items 1.2.2 and 1.2.3 be kept separate in the balance of payments. The respondent from Sierra Leone had no objection to the proposal except that items 1.2.2 and 1.2.3, which are negligible for Sierra Leone, are classified under item 1.2.1. The respondent from Greece stated that the distinction between items 1.2.1 and 1.2.2 is more useful to a transport economist but not to a balance of payments analyst since in both cases the object is the provision of transport services. The respondent from Korea felt that it would be better to combine items 1.1 and 1.2 as a single item.

Respondents from several countries (Belgium, France, Greece, India, Korea, Kuwait, and Malaysia) indicated that the distinction between items 1.2.2 "rental of transport equipment with crew" and 10.1 "leasing or rental services without operators" is immaterial and may be difficult to implement. The respondent from Greece stated that the distinction made between items 1.2.2 with 10.1 is of no analytical significance. Such

1/ March 11, 1988. Draft of the Central Product Classification.
ESA/STAT/AC-32/5.

data, he added, cannot in practice be provided on a consistent basis. The respondents suggested that, from a practical point of view, they would prefer to include the rental of transport equipment without crew under the same section as item 1.2.2. In an earlier response to the OECD, the Australian respondent had proposed that the rental of transport equipment without crew should also be classified in the transportation category as is the current practice in the Australian balance of payments. However, in order to establish consistency with the CPC, the respondent now agreed with the proposed Draft Classification, i.e., that the rental services without crew be classified within the "business services" category. The Korean respondent stated that separate figures for items 1.2.2 and 10.1 are not available.

Respondents from Germany, Greece, the Netherlands, the United Kingdom, the EEC, and the OECD suggested, at the second level of detail, an analysis of transportation by mode of transport, e.g., air, land, sea, as embodied in the CPC, would be desirable and is indispensable for OECD needs. The additional information is currently available in many OECD countries. One respondent (The Netherlands) added that the collection of data by means of transportation is statistically feasible and is in conformity with the proposed EUROSTAT classification. In this connection, the EEC respondent suggested that a subitem for space transport to cover satellite launchings be included under this category.

The respondents from Kuwait, Venezuela, and the United States were uncertain, whether item 1.2.3 "other transport and storage services" included fuel and repairs provided to carriers. In this connection, it is worth noting that with a view to achieving harmonization with the SNA, the Draft Classification had intended to include sales of bunkers etc., to carriers under merchandise trade rather than in services. The respondents from Greece and the United States noted that these items constitute a major component of port services and they preferred to continue treating them under transport and storage services. In this connection, the U.S. respondent stated that the services of travel agents are included under this category; he suggested that it may be more appropriate to include transactions involving travel agents under travel.

2. Travel

The respondents from Australia, Canada, France, Germany, Malaysia, the Netherlands, Sierra Leone, and several other countries supported the proposed classification, as it is the current practice in their countries. However, the Australian and Sri-Lankan respondents stated that it is not clear why a distinction between item 2.1 "tourism" and item 2.2 "other travel" is proposed in the Draft Classification. They suggested that the travel category should not be subdivided into two standard balance of payments components. For the detailed services classification, the respondent from Australia suggested that the travel category be

subdivided into business travelers, students and trainees, medical patients, and other travelers (see Appendix II).

The respondents from Korea and Kuwait supported Australia and Sri Lanka in this regard. The Korean respondent questioned the distinction between item 2.1.3 other tourists and item 2.2 other travel. Similarly, the Kuwaiti respondent stated that it would be difficult to collect data on other tourists as distinct from excursionists. The separation, in his view, has no obvious analytical purpose in the context of the balance of payments. He, therefore, would support a subdivision of the travel category into two items only, namely, tourism and students and trainees (see Appendix V). It should be noted that the Expert Group on External Sector Transactions had agreed that students will be treated as residents of their country of origin irrespective of the length of their stay abroad.

The German respondent suggested that although the proposed breakdown of the travel category corresponds with the World Tourism Organization's (WTO) definitions and classification, it would be better, in his view, to distinguish initially between business and private travel and to breakdown the latter further if necessary. The respondents from Greece and the United Kingdom also favored a primary division between "business" and "other travel." In this connection, the Canadian respondent stated that it is essential that item 2.1.1 "business travelers" be identified separately. The respondent from Rwanda, however, suggested the following classification for travel, namely, business travel, students and trainees, and other travel.

The Austrian respondent doubted the significance of item 2.1.2 "students and trainees" in the context of balance of payments statistics. He suggested that a special item covering package tours would be most useful and proposed that guidelines be provided on how to compile statistics in this regard (gross or net). The respondent from Indonesia suggested that pilgrimage be included as a component of Travel (see Appendix IV). The contribution of pilgrimage to the services account of Indonesia is important and the influence of haj pilgrimage is, in his view, becoming more important in Islamic countries. He suggested that item 2.1.2 be deleted and items 2.1.3 and 2.2 be merged into a single component of other travel.

A number of respondents (Antigua and Barbuda, India, Mauritius, Thailand, and South Africa) stated that a further dissection of the travel category, although desirable, may not be statistically feasible in their countries. Few respondents (Hong Kong, Malaysia, and Sri Lanka) were not sure of what is included under item 2.2 "other travel." One respondent (Sri Lanka) argued that since students and trainees do not strictly form part of item 2.1 "tourism" sector, that these transactions be included under item 2.2 "other travel." For clarification, it may be pointed out that, in conformity with the guidelines issued by the WTO, the

category 2.1 in respect of tourism was intended to capture the outlays of individuals defined as tourists 1/ except in the case of students, who as noted earlier are to be treated as residents of their home country. Category 2.2 "other travel" was intended to capture the outlays of individuals who are defined as excursionists in conformity with the WTO guidelines.

3. Government transactions n.i.e.

Few specific comments were made on this category. The respondent from France mentioned that it seemed awkward to specifically add "n.i.e." to the title since all government operations are included under this category. While supporting the delineation of the category, the Australian respondent suggested that it needs to be more clearly defined. In order to avoid any misunderstanding about its coverage, the suggestion was made that it be retitled "government services n.i.e." As indicated in the Draft Classification, this category covers services provided by governments and extraterritorial organizations. The respondent from Malaysia suggested that it may be useful to subdivide this category into 3.1 Embassies, consulates, diplomatic and consular staff; 3.2 Military; 3.3 International organizations; and 3.4 other.

4. Postal and telecommunication services

Most respondents supported this category. However, the subdivision into items 4.1 and 4.2, in the Australian point of view, is considered to be unnecessary; it is more suitable for a supplementary detailed services classification. Hong Kong stated that although the data are available, information on telecommunication services is not published for confidentiality reasons. The French respondent stated that the two types of services shown under items 4.1 and 4.2 are currently merged under one heading as they are basically provided by the same agency (the Ministry of Posts and Telecommunications). However, given the likely expansion of telecommunications, separating these two activities is acceptable to him. The respondent from Sierra Leone also agreed with the breakdown between items 4.1 and 4.2 as these services are provided by separate institutions. Although separate data on items 4.1 and 4.2 are not available in Kuwait, the Kuwaiti respondent stated that it is quite convenient to have them in the Draft Classification. Similarly, the respondent from Korea, indicated that separate data on 4.1 and 4.2 are not available. As noted above, the Korean respondent suggested that this category be included under the category of business services (see Appendix VI).

1/ A visitor staying at least one night but not more than one year is, according to the WTO, an international tourist. The purpose of the visit may be for pleasure (holidays, culture, sports, etc.); professional (meetings, missions, business); and other purposes (health, pilgrimage).

5. Construction services

Few respondents made specific comments on this category. The Korean respondent supported the treatment of construction services as a separate category. The Australian respondent stated that while the delineation of this item is supported, he questioned whether the significance of these services in the context of balance of payments statistics justifies their proposed status as a standard component. Consequently, he suggested that these services be included in the detailed services classification under the "business services n.i.e." category (see Appendix II). The respondent from Malaysia and South Africa supported Australia's suggestion that construction services be included under the business services category. The respondents from Kuwait, Sierra Leone, and the United Kingdom, however, suggested that "construction services" and "services incidental to manufacturing" be combined with "miscellaneous services" as a single category, see Appendix III and Appendix V. The respondent from the Netherlands noted that this item requires more study as there is a lack of common opinion about its interpretation.

6. Services incidental to manufacturing

Although the Expert Group on External Sector Transactions had agreed that the recording of processing activities should be split between those transactions that imply a substantial physical change in the goods processed--to be recorded in trade in goods and other processing transactions--to be recorded in trade in services, the majority of respondents expressed various reservations about these services. Similar concerns were also mentioned regarding the proposed treatment of repairs despite the fact that the Expert Group had accepted the distinction between repairs performed on investment goods, and repairs performed on other goods. The Draft Classification proposed to treat the value of repairs on investment goods as part of the merchandise item and to treat other repairs as a service transaction.

The respondents from Canada, the United Kingdom, the EEC, and the OECD indicated that the treatment of processing and repairs is still under study. In the EEC and the United Kingdom point of view, there is a strong practical case for treating all such activities as either merchandise trade or services, preferably the former. The respondent from Kuwait supported the EEC and the United Kingdom in this regard. Even if it is eventually decided that at least part of such activities should be covered under services, the respondents from South Africa, Singapore, and the United Kingdom stated that there are likely to be measurement problems and few advantages in regarding the residual service item as a major standard component in balance of payments analysis. The OECD respondent stated that half of the respondents to the OECD questionnaire (see Appendix VII) rejected the proposed breakdown into merchandise and service components and the other half, while accepting it conceptually, saw no way of implementing it. Moreover, he noted that as this proposal had stemmed

from the national accounts, the national accounts representatives should be asked to elaborate on the rationale for making the breakdown and to propose operational guidelines on what constitutes processing, investment goods, and substantial physical change. In addition, the EEC and the OECD respondents stated that the repairs of other goods are of minor importance or even negligible in international trade and could better be treated as one category.

The German and South African respondents stated that the distinction envisaged between processing with or without substantial changes to the goods concerned may be significant in theory, but it is hardly possible in practice. A similar comment was also made with respect to repairs. In fact, the German respondent added, that it is not possible to distinguish between repairs on consumer and capital goods. The respondent from Sweden stated that the borderline between substantial physical change and other processing is difficult to define and control statistically.

The respondent from Singapore stated that the information on whether the goods have undergone substantial physical changes is not collected at present and it would be impossible to distinguish the amount of processing fees on goods that have not undergone major changes to classify it in the services account. Similarly, the respondent from Malaysia stated that it is difficult and not practical to make a distinction between processing with substantial changes and processing without substantial changes in order to classify them in trade in goods and trade in services respectively. The current practice in both Malaysia and Singapore is to treat all goods imported for processing and subsequently re-exported as merchandise trade. In Korea, Malaysia, and Singapore, the value of repairs on ships and aircrafts is classified as a service item; the value of other repairs is captured as part of exports and imports on a gross basis.

The respondents from Belgium, Germany, Japan, and the Netherlands indicated that for a variety of reasons, they do not prefer a breakdown between repairs on investment goods--to be classified under visible trade and on other goods--to be classified under invisible trade. They believe that it would be better to classify all repairs as a whole under invisible trade.

The Australian respondent questioned the need for this category as a standard component. While he agreed that item 6.1 "processing on a fee or contract basis" and item 6.2 "repair services" on goods other than investment goods should be shown separately in the detailed services classification (see Appendix II), he suggested that these transactions could be more appropriately classified within the "business services n.i.e." category. In this connection, the Belgian respondent while supporting the possibility of classifying the two subsections 6.1 and 6.2 separately, preferred to include them under the "trade-related services," category 7.

The respondents from Costa Rica, Ghana, Greece, Korea, Malaysia, Mexico, and the Philippines stated that the proposal to distinguish between repairs performed on investment goods and repairs on other goods is well taken. Guidelines, however, must be established in order to generate greater efforts of compliance. The Mexican respondent mentioned that it would be difficult to establish a clear and transparent definition of "substantial physical change" of goods sent or received for processing. To avoid confusion, the respondent from Greece stated that the Fund should provide an appropriate working definition of "substantial physical change."

The respondent from the United States indicated that while the separation of processing and repairs into two types of transactions is supported, he did not feel that all processing and repairs should be classified as a service, as in the proposed CPC, which was used as a point of departure in the proposed Draft Classification. In this connection, it is worth mentioning that the reference to substantial physical change is used in the Draft Classification to indicate a significant amount of processing which would transform the characteristics of the good in question in such an extensive way that when it is returned, it would be classified in a different group, e.g., three digit level, of the CPC. In other words, when goods are returned after minor processing, e.g., packaging, sorting, or grading, they would be classified in the same group of the CPC as they were sent abroad and the small amount of value added would be considered as other processing transactions.

7. Trade-related services

Most respondents agreed with the proposed classification. The German respondent confirmed that the separate recording of trade-related services is in line with their methodology. He stated that the earnings derived from merchanting transactions should, in principle, be shown under services. However, since it is not possible for them to separate the earnings of traders engaged in merchanting, the said transactions are recorded under merchandise trade. For the same reason, all merchanting transactions of South Africa are included under merchandise trade.

The respondent from France noted that no mention is made of "accessory expenses for merchandise," perhaps a special heading should be provided for them. The Belgian respondent stated that the addendum "wholesale trade services" does not explain much of merchanting and is therefore superfluous. In his view, the addition of a subsection for "other trade-related services" would be useful.

The Australian respondent agreed with the proposed treatment of merchanting transactions, but he questioned whether all trade-related services are significant enough to justify their status as a standard component in the balance of payments. He suggested, therefore, to include these services under the "business services n.i.e." category (see

Appendix II). The respondents from Korea and Kuwait agreed with the Australian view that trade-related services are not significant enough to be shown as a separate category. Like Australia, they suggested that these services be included under the business service category (see Appendix V and Appendix VI).

8. Financial services

Few respondents supported this category. The respondent from Germany noted that the debate on the content of this item has not yet ended and the collection of data is likely to be associated with considerable problems. The respondent from France indicated that another different distinction based on the sector to which the resident transactor belongs has been introduced in their balance of payments. The respondent from Belgium stated that the main heading for this category should state "other than insurance" because insurance services, in his view, can hardly be called "non-financial." The Australian respondent supported the category as a standard component, but saw no merit in its subdivision into items 8.1 and 8.2. In fact, separate information on these items is not presently available in Australia. The respondent from Korea was unable to distinguish between items 8.1 and 8.2. The respondent from Kuwait proposed the deletion of items 8.1 and 8.2; he suggested that these services be included under the business services category (see Appendix V). The U.S. respondent stated that guidelines to distinguish fees for services rendered from factor income or capital gains, e.g., professional dealer's mark-up, would be needed in borderline situations.

9. Insurance services

A number of respondents (Belgium, Germany, and the Netherlands) indicated that the treatment of insurance transactions should await a full evaluation of the OECD and other groups specialized in this area. The respondent from the Netherlands suggested that the splitting up of insurance transactions into imputed services and unrequited transfers will cause practical problems in collecting the desired information. For the same reasons, the German respondent emphasized the need for the recording of such transactions under services. The respondent from Kuwait felt that this category needs more clarification; some insurance transactions are, in his view, too complicated. Guidelines are, therefore, needed to handle these transactions. The respondent from France noted that no information is presently collected for item 9.3, i.e., services auxiliary to insurance and pension funds. In addition, he wondered whether this activity is important enough internationally to warrant a specific heading. Insurance transactions can be separated into items 9.1 and 9.2 using the present classification system in France. The respondent from Korea suggested that this category be split between 9.1 life insurance and 9.2 non-life insurance. In this connection, the Austrian respondent stated that it is not clear where re-insurance transactions are included. In accordance

with the CPC, re-insurance transactions are included under items 9.1 and 9.2 respectively.

The respondents from Australia and South Africa supported the category as a standard component. The subdivision into items 9.1, 9.2, and 9.3 is considered by the Australian respondent to be unnecessary as these services are of limited usefulness in balance of payments analysis.

10. Business services

Most respondents supported the category. A number of them had various suggestions on its heading and content. For example, the respondents from Australia and Germany suggested that the category be renamed as "business services, n.i.e.," or "other business services" in recognition of its residual character. The Australian respondent suggested that the scope of this category could be extended to cover categories 6 and 7 as well as agriculture and mining services (see Appendix II). The respondent from Belgium suggested that item 10.1 "leasing or rental services without operators" be renamed as "operational leasing or rental services." In addition, he indicated his preference to divide the whole category into "research and development services" on the one hand, and "architectural, engineering, and other technical services" on the other. Moreover, he suggested that items 10.4, 10.5, and 10.6 be reduced into two items, namely, "legal, accounting, auditing, taxation, and management consulting services" and "advertising, market research, and public opinion polling services." These services are, in the Belgian point of view, closely related. In addition, item 10.7 "information services" should be omitted since advertising, public opinion polling as well as radio and television services are all information services.

Similarly, the respondent from the United Kingdom suggested that this category be divided roughly between consulting type services (broadly items 10.3 to 10.5) and the rest. Specifically, the business services category is divided into 7.1 consulting and related services which in turn is subdivided into (a) research, engineering, technical, etc.; (b) legal; (c) accounting and related services; (d) management consulting; and (e) other; and 7.2 other services: computing services, advertising services; and other (see Appendix III). The respondent from Korea felt that the breakdown of this category is over-meticulous and he suggested the number of sub-items be reduced from the 8 proposed in the Draft Classification to the following five: 1. Trade-related services; 2. Postal and telecommunication services; 3. Services concerning business consultancy; 4. Research, development, architectural, engineering and other technical services; and 5. Other services. The respondent from Kuwait, however, suggested that the subitems be restricted to two types of services, i.e., consulting services and other services. Both of these services could be further subdivided into third level details. The U.S. respondent noted that the CPC codes for item 10.7 "information services" should refer to codes 8834 and 962 rather than codes 888 and 962.

The French respondent indicated that he has no specific data regarding items 10.4 and 10.7. The respondent from Malaysia stated that no separate data are compiled on items 10.1 and 10.8.

11. Miscellaneous services

All respondents supported this category. One respondent (Australia) saw no need for its subdivision as the said services are unlikely to be significant enough to warrant separate items. Another respondent (Canada) suggested that it be renamed "personal services" to distinguish it from "business services." In addition, he suggested that item 11.3 be entitled "recreational and cultural services." The respondent from the United Kingdom is in favor of restricting the second level details to (a) construction services; (b) film, T.V., and other entertainment services; and (c) other services (see Appendix III). In addition, he stated that once travel has been introduced as a separate category, there would be little to report under item 11.2 "health and social service."

The Costa Rican respondent, however, stated that he is currently engaged in efforts to disaggregate other services, particularly health and education--whose separate presentation would be highly useful in view of their growing importance. The U.S. respondent preferred to classify social services (CPC code 943) and veterinary services (code 942) under items 11.4 "other miscellaneous services" rather than under item 11.2. The French, Korean, and Kuwaiti respondents indicated that no information is presently available on items 11.1 "education services" and 11.2 "health and social services." The respondent from India indicated that in their statistics, film rentals are classified under item 10.1 "leasing or rental services without operators" and not under item 11.3 "motion picture, radio and television, and other entertainment services."

IV. Other Issues

Most respondents encountered little difficulty in following the notes to the Draft Classification (Appendix I, pp. 7-9). One respondent (Austria), however, indicated that it was not completely clear on how to treat special situations such as the sale of "complete factories" or other complex products which often involve large elements of services. He suggested that the Draft Classification be supported by detailed and practical guidelines. Another respondent (Canada) said that the threshold of 75 percent of the cost of the goods, together with carrying charges, used to distinguish financial from operational leases is bound to be challenged by borderline cases. The respondent from South Africa felt that the distinction between financial and operational leases is very arbitrary. The nature of the lease should, in the Canadian view, be assessed through multiple criteria which take account the businesses of the parties involved as well as the characteristics of the lease. The

Canadian respondent suggested that a financial lease should have most or all of the following characteristics:

- the lessor is a financial institution;
- the lease term represents a substantial proportion of the lease property's estimated economic life;
- the lessee has the option to purchase, for a nominal consideration the property at the end of the lease term;
- the responsibility to service the leased property is the lessee's; and
- the present value of the lease payments represents a substantial portion of the market value of the leased property.

In this context, the Philippine respondent indicated that the 75 percent threshold has been difficult to implement because lease contracts are not easily available to balance of payments compilers. Thus, all lease arrangements with the Philippines have been treated as service transactions. Since this treatment simplifies the compilation of data on lease transactions, the Philippine respondent suggested that it be adopted in the Draft Classification. It should be noted that the Expert Group on Financial Flows and Balances had discussed, in September 1988, the question of how financial leasing should be distinguished from operating leasing and concluded that "financial leasing contracts should be defined essentially by the intention to transfer all the risks and rewards incident to ownership to the user of the asset." 1/ This definition, rather than alternative definitions based on a specific percentage of the total cost covered by the lease payments, was preferred by the Expert Group on Financial Flows and Balances. In this context, the respondent from South Africa stated that the suggested definition is impractical to apply in compiling the balance of payments. Intentions, in his view, are never easily determined. As a result, all lease arrangements are treated as service transactions in South Africa's balance of payments.

1/ Draft/January 12, 1989. Report of the Expert Group Meeting on Financial Flows and Balances, Washington, D.C., September 6-15, 1988.

Expert Group Meeting on Harmonization
of Economic Classifications

DRAFT CLASSIFICATION OF INTERNATIONAL
TRANSACTIONS IN SERVICES

Bureau of Statistics
International Monetary Fund

May 17, 1988

Content

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Transactions in Services
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I. Introduction

The draft classification of international transactions in services shown in this paper has been prepared in connection with the proposed revision of the fourth edition of the Fund's Balance of Payments Manual, to be undertaken over the next few years. It will be circulated for comment to national balance of payments compilers and will be subject to refinement and modification. In developing this draft, account has been taken of: (a) the recommendations of the Expert Group on External Sector Transactions for the Revision of the SNA; (b) the recommendations of the Group of Balance of Payments Compilers which met in Paris in November 1987; and (c) the work undertaken by the EEC and the OECD in formulating proposals for a classification of international trade in services.

No attempt has been made to provide a general definition of services, as it is felt that this issue is being addressed in other fora, such as the Voorburg Group on Services, that are concerned with the differentiation between commodity flows and service flows in a consistent fashion, both for domestic and international transactions. The draft classification, therefore, is fashioned predominantly on the March 11, 1988 draft of the Central Product Classification (CPC) ESA/STAT/AC.32/5, the distinction between commodities and services broadly paralleling that of the CPC, although some important deviations are noted below.

II. Relationship between the Draft Classification and the CPC

The Expert Group on External Sector Transactions recommended that a standard list of service items should be used as the basis for the harmonization of the classification of services in the Balance of Payments Manual and A System of National Accounts. Those items would include the traditional items shown under services--transport, travel, etc.--and also those items that are becoming increasingly important as international transactions, such as financial services and communications. The details to be shown should agree with the CPC, preferably at a high level of that hierarchy. The Group, furthermore, recommended that those concerned with the CPC classification pay particular attention to the needs of the balance of payments and external sector accounts, so that harmonization between these accounts and other accounts, including input-output, be attainable.

The Group of Balance of Payments Compilers agreed with the need for harmonization and continuity. Although this Group realized that this would cause serious problems of linkage with the CPC, it emphasized the need for the retention of separate items for travel and government transactions. In addition, this Group made a number of suggestions regarding the separate identification and coverage of certain items. Among these were suggestions for the separate identification of processing activities, telecommunications, data-bank services, business and management services, education and health services, motion picture rentals, and radio and television services.

As work on the finalization of the CPC is drawing to a close, this Group suggested that balance of payments compilers should make known their special concerns relating to the classification of international transactions in services. Furthermore, the Group of Compilers emphasized that the Fund and other interested agencies, i.e., the United Nations, the OECD, and the European Communities, coordinate efforts in order to achieve a harmonized

classification of international transactions in services. A revised classification should, as much as possible, take into account the present structure of the main international exchanges of services and their likely future direction. Among the services transactions that received special attention of the Group were the so-called financial leases and service arrangements similar to financial leases, transportation, insurance, and other distributive services on merchandise, and goods for processing and repair.

The categories of service transactions in the draft classification closely parallel the CPC and are based on the nature of services rendered or acquired, i.e., the classification is based on the type of service produced or supplied. The two exceptions to this approach are the groups for travel and government transactions n.i.e., which are based on the consumer of the services and for that reason have no analogues in the CPC.

Travel is treated in this fashion because it is a significant item in the balance of payments statement of many countries and many countries are actually engaged in promoting international tourism. Furthermore, although the Fund's Compensatory Financing Facility initially covered only shortfalls in merchandise export earnings, it was extended in August 1979 to include any shortfalls from travel and workers' remittances. For these reasons, and because of the statistical feasibility of collecting the data, a separate category for the travel item, covering, in addition to services, commodity purchases by travelers for their own consumption or to give away, is provided for in the draft classification. Further dissection of the travel item, which would permit a link to the CPC, could be handled by supplementary tables or satellite accounts.

Government transactions n.i.e. covers outlays of embassies, consulates, and military and other establishments of a foreign government, of diplomatic and consular staff and their dependents in the country where they are stationed, and of international and regional organizations. In addition, government transactions n.i.e. includes public administration and other services provided by governments and extraterritorial organizations.

With respect to financial leases and service arrangements similar to financial leases, both groups agreed that these transactions should be recorded as if a change of ownership of the relevant asset had taken place, rather than as a service transaction. In this context, the groups expressed the view that an international standard for distinguishing between financial and operational leases is needed. In addition, it was generally felt that, until further guidance is forthcoming, the 75 percent cut-off referred to in the Manual should continue to apply in distinguishing between financial and operational leases for international transactions.

Regarding transportation, insurance, and other distributive services on merchandise, the Expert Group agreed that the totals of both imported and exported goods would be recorded in the external accounts on an f.o.b. basis. The coverage of the items for transportation, insurance, and other distributive services on merchandise in the CPC would, therefore, differ from

the corresponding items in the balance of payments and the national accounts for any services on merchandise rendered by residents of the exporting country between the point of delivery of the goods in the exporting country and the border of that country.

As to goods for processing, the Expert Group agreed that both in the balance of payments and in the national accounts, goods exported/imported for processing and re-import/re-export should be recorded gross by the processing economy as well as by the economy that sent the goods for processing. This procedure should be followed if there is a substantial physical change in the goods reflecting a change in their characteristics. The Group also agreed, however, that there is a need for a clear definition in the revised SNA as to what constitutes processing activity. In that context, reference should be made to existing international guidelines on external trade statistics.

Regarding goods for repair, the Expert Group accepted that a distinction should be made between repairs performed on investment goods and repairs performed on other goods. The value of repairs on investment goods should be shown as part of the merchandise item; other repairs should be classified as a service item in both the balance of payments and the national accounts. With respect to the recording of these goods, the Group expressed the need for a review of existing international guidelines for the compilation of external trade statistics.

Finally, regarding the coverage of services in the balance of payments, the Group of Compilers expressed the view that transactions between foreign-owned resident enterprises and domestically-owned resident enterprises should continue to remain outside the scope of the balance of payment of the country where these enterprises are located.

The use of standard components for services and their subdivisions as provided in the draft classification does not preclude countries from developing and reporting details on service transactions along the lines of the subclasses of the CPC. Indeed, the fact that the draft classification is closely aligned with the CPC should facilitate the organization and collection of statistics on service transactions at the national level.

III. Draft Classification of International
Transactions in Services

Proposed Standard Components

CPC

- | | |
|--|---|
| 1. Transport and storage services | 861, 862, 863, 864, 865,
866, and 867 |
| 1.1 Passenger transportation | part of 8611, 8621, 8622,
8641, 8651, and 8661 |
| 1.2 Freight transportation and
auxiliary transport services | 8612, 8613, 8623, 8624,
863, 8642, 8643, 8644,
8652, 8653, 8654, 8662,
8663, 8664, and 867 |
| 1.2.1 Freight transportation | 8612, 8623, 863, 8642,
8652, and 8662 |
| 1.2.2 Rental of transport
equipment with crew | 8624, 8643, 8653, and
8664 |
| 1.2.3 Other transport and
storage services | 8613, 8644, 8654
8663, and 867 |
| 2. Travel | |
| 2.1 Tourism | |
| 2.1.1 Business travelers | |
| 2.1.2 Students and trainees | |
| 2.1.3 Other tourists | |
| 2.2 Other travel | |
| 3. Government transactions n.i.e. | |
| 4. Postal and telecommunication services | 868 and 869 |
| 4.1 Postal and courier services | 868 |
| 4.2 Telecommunication services | 869 |
| 5. Construction services | 71 |

6.	Services incidental to manufacturing	part of 81 and 82, and 843
6.1	Processing (manufacture on a fee or contract basis)	part of 814 and 816
6.2	Repair services	part of 815, 821, and 822 and 843
7.	Trade-related services	83
7.1	Commission agents' services	831
7.2	Merchanting (wholesale trade services)	832
8.	Financial services	871 and 873
8.1	Services of financial intermediation	871
8.2	Services auxiliary to financial intermediation	873
9.	Insurance services	872 and 874
9.1	Life insurance, pension, and annuity services other than compulsory social security	87201 and 87202
9.2	Casualty insurance	87203, 87204, 87205, 87206, 87207, 87208, and 87209
9.3	Services auxiliary to insurance and pension funding	874
10.	Business services	88
10.1	Leasing or rental services without operators	882
10.2	Computer services	883
10.3	Research, development, architectural, engineering, and other technical services	884 and 886

10.4 Legal, accounting, auditing and
bookkeeping services; taxation
services; market research and
public opinion polling services

8851, 8852, 8853,
8854, and 8855

10.5 Management consulting services

8856 and 8857

10.6 Advertising services

887

10.7 Information services

888 and 962

10.8 Other business services

881 and 889

11. Miscellaneous services

811, 812, 813, 817,
part of 821 and 822,
823, 841, 842, part
of 85, 92, 93, 94, 95,
961, 963, 964, 969,
97, and 98

11.1 Education services

93

11.2 Health and social services

94

11.3 Motion picture, radio and
television and other
entertainment services

961

11.4 Other miscellaneous services

811, 812, 813, 817, part of
821 and 822, 823, 841, 842,
part of 85, 92, 95, 963,
964, 969, 97, and 98

IV. Notes to the Draft Classification of International Transactions in Services

1. Item 1.1, passenger transportation, has the same coverage as the component for passenger services in the fourth edition of the Balance of Payments Manual, i.e., in addition to the services covered by fares, passenger transportation includes any other services for which passengers make expenditures on board carriers or for which they pay charges to carriers, such as those for excess baggage and for personal effects that accompany them, e.g., automobiles.

Passenger services is defined to cover all services performed in transporting passenger between economies, together with those performed within any given economy by a carrier operated by a nonresident enterprise. Services performed within an economy by resident operators are included in item 2, travel.

2. The scope of item 1.2, freight transportation and auxiliary transportation services, is defined in a manner consistent with the valuation of merchandise exports and imports at the customs border of the exporting country. Consequently, certain service transactions are included amongst commodity flows.

As to services not included in merchandise, item 1.2 covers the freight services (a) performed by residents of the compiling country on merchandise and most other movable goods acquired or owned by nonresidents and (b) performed by nonresidents on merchandise and most other movable goods acquired or owned by residents. Such services on passengers' effects accompanying the passengers are included in item 1.1, passenger transportation.

However, as a compiling country would often find it difficult, if not impossible, to ascertain whether its own merchandise exports and imports are actually owned by a resident or by a nonresident at the time the services are being performed, the Manual recommends a convention for constructing the entries that refer to the transportation of the compiling country's merchandise beyond the customs frontier of the exporting country. Under that convention certain offsetting transactions between residents and foreigners may in effect be netted against each other, while certain transactions between residents or between foreigners may be included in the statistics.

3. Item 1.2.2, rental of transport equipment with crew, refers to the service provided by owners in hiring or leasing their carriers to the enterprises that operate them and includes single voyage charters.

4. Item 2, travel, covers the services, other than the international carriage of travelers included in item 1.1, acquired from an economy by travelers during their stay in that economy to use themselves or give away.

In addition to the services covered by division 85, hotel and restaurant services, of the CPC, this item may also include services covered by other divisions of the CPC. However, this item does not include passenger transportation, which is covered in item 1.1.

5. Item 3, government transactions n.i.e., covers outlays of embassies, consulates, and military and other establishments of a foreign government, of diplomatic and consular staff and their dependents in the country where they are stationed, and of international and regional organizations. In addition, government transactions n.i.e. includes public administration and other services provided by governments and extraterritorial organizations.

6. Item 6.1, processing, refers to processing services that do not bring about a substantial physical change in the goods reflecting a change in their characteristics.

7. Item 6.2, repairs, refers to repair services on goods other than investment goods.

8. Item 7.2, merchanting, covers the difference between the value of goods acquired from one economy and the value of the same goods relinquished to that or some other economy without the goods ever crossing the frontier of the economy in which the temporary owner is a resident.

9. Item 9, insurance services, covers the services rendered under insurance or pension schemes. The Expert Group on External Sector Transactions has agreed, however, that it would be inappropriate to suggest recommendations regarding the measurement of those services until a full evaluation of the treatment of the complex of insurance transactions, including those related to life insurance and pension funds, is in place.

10. Item 9.2, casualty insurance, is defined in a manner consistent with the valuation of merchandise exports and imports at the customs border of the exporting country. Consequently, the cost of insurance up to the border of the exporting country is included in merchandise exports and imports.

As to services not included in merchandise, item 9.2 includes the insurance services (a) performed by residents of the compiling country on merchandise and most other movable goods acquired or owned by nonresidents and (b) performed by nonresidents on merchandise and most other movable goods acquired or owned by residents.

However, as a compiling country would often find it difficult, if not impossible, to ascertain whether its own merchandise exports and imports are actually owned by a resident or by a nonresident at the time the services are being performed, the Manual recommends a convention for constructing the entries that refer to the insurance of the compiling country's merchandise beyond the customs frontier of the exporting country. Under that convention certain offsetting transactions between residents and foreigners may in effect

be netted against each other, while certain transactions between residents o
between foreigners may be included in the statistics.

11. Item 10.1, leasing or rental services without operators, covers
leasing other than financial leasing. Financial leasing is defined as a
leasing arrangement expected to cover at least three fourths of the cost of
the goods, together with the carrying charges. Thus, financial leasing
refers to a transaction in which the effect of a legal change of ownership is
achieved without such a change taking place.

SUGGESTED LIST OF ITEMS FOR INCLUSION IN THE DETAILED SERVICES CLASSIFICATION

- 1 Transport and storage services
 - 1.1 Passenger transportation
 - 1.2 Freight transportation (including other distributive services)
 - 1.3 Other transport and storage services
- 2 Travel
 - 2.1 Business travellers
 - 2.2 Students and trainees
 - 2.3 Medical patients
 - 2.4 Other travellers
- 3 Postal and telecommunications services
 - 3.1 Postal and courier services
 - 3.2 Telecommunications services
- 4 Financial services
- 5 Insurance services
 - 5.1 Insurance on merchandise
 - 5.2 Reinsurance
 - 5.3 Other insurance services (including auxiliary services)
- 6 Government services n.i.e.
- 7 Business services n.i.e.
 - 7.1 Construction services
 - 7.2 Commission agents' services
 - 7.3 Merchanting (wholesale trade services)
 - 7.4 Agriculture and mining services
 - 7.5 Processing (manufacture on a fee or contract basis)
 - 7.6 Repair services
 - 7.7 Computer services
 - 7.8 Leasing or rental services without operators
 - 7.9 Research, development, architectural, engineering, and other technical services
 - 7.10 Legal services
 - 7.11 Accounting services
 - 7.12 Market research and public opinion polling services
 - 7.13 Management consulting services
 - 7.14 Advertising services
 - 7.15 Information services
 - 7.16 Other business services
- 8 Miscellaneous services
 - 8.1 Performing arts, sports and other live performances, presentations and events
 - 8.2 Other miscellaneous services

TRANSACTIONS IN SERVICES

STANDARD COMPONENTS IN BALANCE OF PAYMENTS PRESENTATIONS

1. TRANSPORT AND STORAGE SERVICES

1.1 SEA TRANSPORT

1.1.1. PASSENGER TRANSPORTATION

1.1.2. FREIGHT, ETC.

1.1.2.1 Freight transportation

1.1.2.2 Rental with crew

1.1.2.3 Rental without crew

1.1.2.4 Other

1.2 AIR TRANSPORT

1.2.1 PASSENGER TRANSPORTATION

1.2.2 FREIGHT, ETC.

1.2.2.1 Freight transportation

1.2.2.2 Rental with crew

1.2.2.3 Rental without crew

1.2.2.4 Other

1.3 OTHER TRANSPORT

1.3.1 PASSENGER TRANSPORTATION

1.3.2 FREIGHT, ETC.

1.3.2.1 Freight transportation

1.3.2.2 Rental with crew

1.3.2.3 Rental without crew

1.3.2.4 Other

2. TRAVEL

2.1 BUSINESS

2.1.1 Day-trip

2.1.2 Other

2.2 OTHER

2.2.1 Day-trip

2.2.2 Other

3. GOVERNMENT

3.1 EMBASSIES, ETC.

3.2 MILITARY

3.3 OTHER

4. POSTAL AND TELECOMMUNICATION SERVICES

4.1 POSTAL AND COURIER SERVICES

4.2 TELECOMMUNICATION SERVICES

5. INSURANCE SERVICES

5.1 UNDERWRITING

5.1.1 Long-term (life, etc.)

5.1.2 Other

5.2 AUXILIARY SERVICES

6. FINANCIAL AND TRADE-RELATED SERVICES

6.1. FINANCIAL SERVICES

6.1.1 FINANCIAL INTERMEDIATION

6.1.2 AUXILIARY SERVICES

6.2. TRADE-RELATED SERVICES

6.2.1 MERCHANTING

6.2.2 COMMISSION AGENTS', ETC.

7. BUSINESS SERVICES

7.1 CONSULTANCY AND RELATED SERVICES

7.1.1 Research, engineering, technical, etc.

7.1.2. Legal

7.1.3. Accounting and related

7.1.4 Management consultancy

7.1.5 Other

7.2 OTHER SERVICES

7.2.1 Computing services

7.2.2 Advertising services

7.2.3 Other

8. MISCELLANEOUS SERVICES

8.1 CONSTRUCTION SERVICES

8.2 FILM, TV AND OTHER ENTERTAINMENT SERVICES

8.3 OTHER SERVICES

8.3.1 Processing services

8.3.2 Repair services

8.3.3 Education services

8.3.4 Other

PRIMARY LEVEL

SECONDARY LEVEL

Additional level.

PROPOSED STANDARD COMPONENTS OF SERVICES CLASSIFICATION

1. TRANSPORT AND STORAGE SERVICES
 - 1.1. Freight Transportation
 - 1.2. Passengers Transportation
 - 1.3. Other Transport and Storage Activities
2. TRAVEL
 - 2.1. Tourism
 - 2.2. Business Travel
 - 2.3. Haj Pilgrimage
 - 2.4. Other Travel
3. GOVERNMENT SERVICES, N.I.E.
4. POSTAL AND TELECOMMUNICATION SERVICES
 - 4.1. Postal and Courier Services
 - 4.2. Telecommunication Services
5. INSURANCE SERVICES
 - 5.1. Insurance on Merchandise Trade
 - 5.2. Other Insurance
6. BUSINESS SERVICES
 - 6.1. Construction Services
 - 6.2. Trade - Related Services
 - 6.3.. Financial Services
 - 6.4. Computer Services
 - 6.5. Leasing and Rental Services
 - 6.6. Research, Development, and Engineering Services
 - 6.7. Other Business Services
7. MISCELANEOUS SERVICES

SUGGESTED CLASSIFICATION OF
INTERNATIONAL TRANSACTIONS IN SERVICES

1. Transport and Storage Services
 - 1.1 Passenger transportation
 - 1.2 Freight transportation and auxiliary transport services
 - 1.2.1 Freight transportation
 - 1.2.2 Rental of transport equipment
2. Travel
 - 2.1 Tourism
 - 2.2 Students and trainees
3. Governmental Transactions n.i.e.
4. Postal and Telecommunication Services
 - 4.1 Postal and courier services
 - 4.2 Telecommunication services
5. Insurance Services
 - 5.1 Casualty insurance
 - 5.2 Other insurance
6. Business Services n.i.e.
 - 6.1 Commission agent's services
 - 6.2 Merchanting
 - 6.3 Consulting services
 - 6.4 Financial services
 - 6.5 Other business services
7. Miscellaneous Services
 - 7.1 Construction services
 - 7.2 Entertainment services
 - 7.3 Other miscellaneous services

1. Transport and storage services
 - 1.1. Passenger transportation
 - 1.2. Freight transportation and auxiliary transport services
 - 1.2.1. Freight transportation
 - 1.2.2. Rental of transport equipment
 - 1.2.3. Other transport and storage services
2. Travel
 - 2.1. Tourism
 - 2.1.1. Business travelers
 - 2.1.2. Students and trainees
 - 2.1.3. Other tourists
 - 2.2. Other travel
3. Government transactions n.i.e.
4. Construction services
5. Services incidental to manufacturing
6. Financial services
 - 6.1. Services of financial intermediation
 - 6.2. Services auxiliary to financial intermediation
7. Insurance services
 - 7.1. Life insurance
 - 7.2. Non-life insurance
8. Business services
 - 8.1. Trade-related services
 - 8.2. Postal and telecommunication services
 - 8.3. Services concerning business consultancy
 - 8.4. Research, development, architectural, engineering and other technical services
 - 8.5. Other services
9. Miscellaneous services

Replies to the CECG Questionnaire relating to
statistics on trade in services (TD/88.78)

Do you agree with the breakdown of total repairs into repairs of investment goods and other goods (para. 17)?

United States

Yes, from a conceptual standpoint, but we have no facility for making such a distinction in our own data. Work may be needed to distinguish the two types of goods from one another.

Germany

No, we do not agree with this breakdown because no data are available.

France

In theory, yes, but in practice only the first category involves substantial amounts.

United Kingdom

No.

Canada

Yes.

Austria

No, a breakdown into "investment goods and other goods" is not possible.

Finland

No.

Greece

No - repairs of "other goods" probably constitute a very minor part of trade flows for the "repairs" item.

Netherlands

Yes in principle, no in practice.

Sweden

Yes, but the borderline between investment goods and others could be difficult to define and to obtain and control statistically (in the reporting of data).