

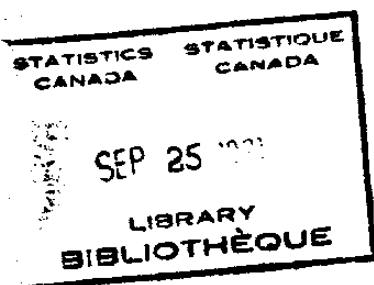
Paris, drafted: 16th August 1989

dist: 21st August 1989

TC/WP(89)60

Scale 6

Or. Engl.



WORKING PARTY OF THE TRADE COMMITTEE

A New Standard for Member Countries' Trade-in-Services Statistics

(Note by the Secretariat)

1. This note sets out revised proposals for the definition and classification of service transactions in the balance-of-payments context. This revision takes account of the conclusions of discussions at the international level as presented in the following documents:

- a. International Monetary Fund (IMF), Bureau of Statistics, Draft Classification of International Transactions in Services (May 17, 1988)
- b. Statistical Office of the European Communities (EUROSTAT), Classification of Current Transactions and Financial Transactions in the Outline Balance of Payments (doc. BP/89/3).
- c. United Nations Statistical Office (UNSO), Central Product Classification (CPC), 14 October 1988.
- d. OECD, National Experts' Views on Standardising Member Countries' Balance of Payments Statistics on Trade-in-Services, (Replies to the first and second questionnaires (doc. TC/WP(88)12, TC/WP(88)94) and Replies to the request for information on selected service categories (TC/WP(89)63).

2. These proposals are, as the previous version (1), preliminary. They will further be revised in the light of work in OECD Committees and Working Parties as well as in other international organisations, mainly the United Nations Statistical Office (UNSO), the International Monetary Fund (IMF) and the Statistical Office of the European Communities (EUROSTAT). On the other hand, these proposals are designed as a contribution to the ongoing work at the international level aimed at establishing new and compatible classifications of services.

3. The proposals address four issues:

- a. The elaboration of a general definition of services; this is necessary because there is no internationally-agreed definition of services, and Member countries use divergent definitions.
- b. The clarification of the term "trade-in-services".
- c. The delimitation of services as distinct from goods, factor income and capital gains/losses; this is justified by the fact that the frontiers between these four categories are controversial and variable from country to country.
- d. The establishment of a tentative classification of services.

4. These proposals concern the balance-of-payments aspects of trade-in-services. In order to measure more fully trade-in-services activities, they have to be complemented by service sectors' "satellite accounts". This is the case, for instance, for banking and financial services for which investment income data are collected by the OECD Group of Financial Statisticians (2) in addition to balance-of-payments data. This is also valid for trade-in-services through foreign affiliates which is outside the scope of traditional balance-of-payments accounts.

## I. Definitions of Services

5. Endeavours to arrive at a comprehensive definition of services encounter great difficulties which are due to their complex and heterogeneous nature and the diversity of analytical purposes. These difficulties explain, on the one hand, the lack of a definition of services in international standards (3) such as the System of National Accounts and the Balance of Payments Manual. On the other hand, they have given rise to a multitude of attempts to define services. In this respect, three main approaches can be distinguished. The first is best characterised as general, overall or positive, the second is of a residual or negative nature, and the third contents itself with establishing lists of service industries and products.

6. The first group of definitions focuses on characteristics that all services have in common, and which distinguish them from other economic categories, such as goods and factor income. According to the most widely accepted definition of this kind (4) the producer of a service works to bring about some improvement (or prevent a deterioration) in the condition of the consuming unit in close contact with this unit; the distinguishing feature of service activity (compared with the production of goods) lies in the fact that the producer adds value, not to his own person or property, but to the person or property of another economic unit. The improvement may take the form of a physical transformation of some good owned by the consumer unit, or may relate to the physical, financial or mental (such as the level of knowledge) condition of some individual or group of individuals. In most cases, services cannot be stocked and transferred and have to be consumed at the place and time of production. However, technological progress procures increasing possibility of both temporal and geographical separation of production and consumption.

7. Residual or negative definitions may consider services from an industrial or commodity viewpoint. The industrial (or institutional) approach groups industries into primary (or extractive), secondary (or transformative) and tertiary sectors; according to this logic the service industries constitute the tertiary sector which comprises all industries other than extractive and transformative sectors (4). From the angle of commodities,

services have been defined as economic output that is not tangible and visible (5): they are contrasted with goods which are tangible and visible. Since certain services may result in tangible end-products (e.g. computer tapes) and goods may be embodied in services (e.g. food consumed in restaurants) the tangible/non-tangible criterion may be complemented by two more criteria (6): (i) whether the input of a given activity has typically service input characteristics and (ii) whether the end result of the activity has more goods or more services features.

8. The third approach defines service industries in terms of categories of the International Standard Industrial Classification (ISIC) or its European Communities' version NACE or of a national industrial classification. Service products can be defined in relation to the Central Product Classification (CPC) or its EC version CPC-COM or a national commodity classification.

9. The first two categories of definitions convey a general idea of services. It is, therefore, suggested to adopt the definitions outlined in paragraphs 6 and 7 as a general basis, and to complement them by a list of service categories and by conventions on individual borderline cases. As service transactions in the balance-of-payments context represent products (or commodities), it is proposed to define services in terms of the United Nations Central Product Classification (CPC). The proposed list of services broadly corresponds, in the present version of the CPC (ST/ESA/STAT/SER.M/77/Add.1 of October 1988), to the following categories:

- a. Division 51: Construction work;
- b. Section 6: Trade services; hotel and restaurant services;
- c. Section 7: Transport, storage and communication services;
- d. Section 8: Business services; agricultural, mining and manufacturing services
- e. Section 9: Community, social and personal services.

The borderline cases are discussed in Part III of this note.

## II. Trade-in-Services

10. The term "trade-in-services" is not unequivocal; it has been used in a narrow and a larger sense. In the narrow sense, it corresponds to the balance-of-payments concept, i.e. it is confined to transactions between residents and non-residents (this category could be named "international trade-in-services"). In a larger sense, it includes trade of foreign affiliates (subsidiaries and branches) of resident parents; because this trade represents transactions between foreign residents (from the point of view of the country of residence of the parent company) it is outside the scope of the balance-of-payments of the country where the parent company resides. As the sales of services require close contact between producer and consumer - and also because of restrictions on the provision of services by non-residents - delivery of services abroad must often be through foreign affiliates rather than directly from parents in the reporting country. In order to obtain a complete picture of trade-in-services, it is essential to have information on sales abroad by affiliates.

11. International trade-in-services (in the balance-of-payments sense) can be divided into several groups. There appear to be three main types:

- a. Cross-border transactions, such as transportation of goods and persons from one country to another, transmission of voice, video, data or other information, and consignment of goods for repair and processing;
- b. Travel of individual consumers to another country (e.g. services provided to non-resident tourists, students, and medical patients);
- c. Travel of individual producers to another country (e.g. services provided to foreign clients by business consultants, engineers, lawyers, etc.); this class could, however, also be considered as a special case of type (a).

It should be understood that this list provides illustration of the different ways services transactions can take place rather than to enumerate categories that are to be recorded separately.

12. A fourth category of transactions - contractual arrangements transmitting rights to use intellectual property, technology, or other rights (e.g. patents, trademarks, franchises, book, film, broadcast and recording rights) - although not representing services as defined in Chapter I, has close relationships with them and is often included in the trade-in-services area.

### III. Delimitation of Services

13. Services have to be distinguished from goods, factor income, and capital gains (losses). A great number of types of transactions are at the borderlines between services and the three other categories: they present characteristics of two categories, so that their classification has to be decided by convention.

#### III 1. Services versus Goods

14. The traditional service categories - travel, transportation and current government services - embody goods components, e.g. travel expenditure include expenditure for food. Nevertheless, the service element is predominant, and there is a consensus that these items should continue to be treated as service categories. On the other hand, there are items whose classification has not been consistent: merchanting, processing and repair.

15. Merchanting is defined in the Fourth Edition of the Balance of Payments Manual of the International Monetary Fund (cited hereafter as IMF Manual), paragraph 337, as follows: "When goods are acquired and relinquished again without crossing the frontier of the economy in which their temporary owner is a resident, the temporary owner is considered to have been engaging in merchanting transactions...". Merchanting represents an intermediate case between merchandise transactions (which are characterised by a change of ownership between residents and non-residents) and brokerage (which relates to goods that do not enter the reporting country's territory). The IMF treatment of merchanting has not been constant: in the Third Edition of the Manual, it

formed a part of the merchandise account, while the Fourth Edition included it in "other services". Practically all balance-of-payments experts agree with the proposal to maintain the treatment of merchanting recommended in the Fourth Edition of the IMF Manual, i.e. to include merchanting in the services account. It is also proposed to eliminate changes in the stocks of goods held abroad by the traders from data on merchanting, and to provide gross figures for purchases and sales, so as to allow bilateral comparisons, although problems are seen in implementing these proposals.

16. Processing and repair are grouped, in the IMF Manual (paragraph 336), into one item which is defined as follows: "When an enterprise in one economy processes goods owned by another economy, the value of the goods that cross the frontier is excluded from the merchandise item and the fees paid for processing are entered in this item. Improvements, repairs except those classified as port services, and other nondistributive services performed for non-residents on goods should also be entered in this item". This item is included in "other services" in the Fourth Edition of the Manual, contrary to the Third Edition where it could be treated as a component of merchandise or of services. Goods imported for processing and repair differ from ordinary imports in two respects: (i) there is no change in ownership of the imported goods between residents and non-residents; (ii) such goods are from the outset to be reexported and not to stay in the economy where processing and repairing take place. Ordinary manufacturing and manufacturing on a fee or contract basis have the same technical characteristics, but from a commercial point of view, there are fundamental differences between imports of goods for processing and repair and their subsequent reexport, on one hand, and ordinary imports and exports, on the other. The contracts concerning ordinary exports and imports provide for the delivery of goods, whereas processing and repairing contracts relate to changes made to clearly-identified goods. The exporter receives a price for delivering a good, the processor and repairer a fee for changing an existing good.

17. There is agreement that processing and repair should not remain grouped in one item, but should be treated as two distinct items. There is, however, disagreement on the method of recording them. The IMF, EUROSTAT and UNSO have proposed three different approaches.

18. The IMF suggests that (a) 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 and other repairs should be classified as a service item; (b) for processing there should be a distinction between goods undergoing a substantial physical change and others; goods exported/imported for processing implying a substantial physical change and re-import/re-export should be recorded on a gross basis in the merchandise account, while other processing would be reflected net in the services account.

19. EUROSTAT proposes to record all repairs and processing, as a whole, under "Merchandise", while UNSO provides, in its CPC, for the recording of all repairs and processing as services (Section 8: Business services; agricultural, mining and manufacturing services, groups 884, 885 and 886).

20. The replies received from Experts to a request of information on selected service categories, and which are summarised in note TC/WP(89)63, show that few Countries collect separate data on repairs and on processing, and only few consider it possible to collect such data (and their breakdown along the lines proposed by the IMF). These replies also suggest that virtually all repairs are performed on investment goods, and practically all processing leads to substantial physical changes of the goods processed. Hence, it is proposed to record total repairs and total processing under "Merchandise", with sub-divisions of the items in line with the IMF proposals.

### III.2 Services versus Factor Income

21. The distinction between services, on the one hand, and factor income, on the other, is fundamental and rests on the fact that the latter are payments to factors of production (capital and labour) used exclusively as inputs into production processes, whilst services can constitute inputs and outputs. Factor income is normally linked to a stock of capital (human, financial, intellectual): it tends to be recurrent, while receipts from services mostly are of a once-for-all nature. The distinction between services and factor income is made in the Fourth Edition of the Manual (differing in this from the Third Edition), but no definition of the two



categories is given. Many Member countries' balance of payments presentations have maintained the practice of the Third IMF Manual, i.e. they show all services and factor income under the heading of "services".

22. There is full agreement among balance-of-payments experts that services should be distinguished from factor income, and that factor income encompasses the following three categories:

- i) Investment income, defined in the IMF Manual as "as income derived from the ownership of foreign financial assets..." (paragraph 289);
- ii) Labour income, covering "wages, salaries and other compensation (in cash or in kind) that persons earn in an economy other than the one in which they reside, by working for a resident of that economy" (paragraph 319);
- iii) Property income "accruing to the owner of land, and non-financial intangible assets from the use of such assets by another economic entity..." (paragraph 321); the main element is "income accruing to the owners of patents, copyrights and similar non-financial intangible assets. Income of this sort is often referred to by such terms as "royalties and license fees" (paragraph 323).

23. The first borderline case is revenue of self-employed (such as fees received by lawyers and artists), which is included, in certain Member countries' data, in labour income. Such income represents, however, not only remuneration from work, but also a compensation for overhead costs and other outlays. Moreover, such activities are more akin to the production of services than to working for an employer. In fact, fees are paid for an agreed result and not for the time spent under instruction from an employer who carries the risks inherent in the production process. All balance-of-payments experts agree with the proposal to treat revenue of self-employed as a services item.

24. The second borderline case is revenue from the use of tangible assets except land; this category is referred to as rental or leasing. The Fourth Edition of the IMF Manual differentiates between two major groups:

i) Financial leasing, which is to be included in "merchandise" (paragraph 217):

ii) Operational leasing, relating to structures, machinery, equipment, films, tapes, records and other tangible assets, which are treated as service items (paragraph 333-334).

All balance-of-payments experts agree to maintaining the treatment recommended by the Fourth Edition of the IMF Manual.

25. The third borderline case is construction abroad. Construction enterprises in one economy can undertake the construction of plants, buildings, etc. in another economy through subsidiary and associate companies in that economy, a foreign branch set up for the project, or directly undertake the work themselves.

26. There exist three methods of recording receipts from construction work abroad:

i) The first consists in regarding all construction work abroad as being done by a direct investment enterprise resident in the country in which the work is being carried out; work undertaken directly without creating a subsidiary or branch abroad would be considered as being performed by a notional direct investment enterprise in the country of construction. This solution, which was recommended by the OECD Group of Financial Statisticians (7), would lead to recording net receipts from construction abroad as direct investment income. It could provoke international balance-of-payments discrepancies because notional enterprises created by the compilers of one country are not necessarily matched by corresponding notional enterprises in partner countries.

ii) The second method treats all net receipts from construction abroad as services receipts, not only those flowing from work undertaken directly abroad, but also those which are channelled through foreign affiliates; this is based on the concept that affiliates created in

the context of construction work are only temporary and do not reflect a lasting interest of the investor.

iii) The third method breaks total construction activities on the basis of residency criteria. Work undertaken by a resident construction enterprise and members of its staff working temporarily abroad is considered as provision of services, whereas work performed by a nonresident affiliate represents production abroad that leads to receipts of direct investment income. The main problem of this approach is the definition of "nonresident affiliate" in cases where a foreign activity or operation of a resident construction company is not incorporated abroad. For determining whether an unincorporated foreign activity or operation represents a foreign affiliate or not, the U.S. guidelines provide a useful basis:

- "1) Factors that would tend to lead to a determination that an unincorporated foreign activity or operation constitutes a foreign affiliate include: (a) the payment of foreign income taxes, (b) a substantial physical presence (e.g. plant and equipment or employees) abroad, (c) the maintenance of separate financial records that would permit financial statements, including an income statement and balance sheet (not just a record of disbursements and receipts) to be prepared for the activity or operation, (d) the taking of title by the foreign activity or operation to, and its receipt of revenues for, the goods it sells, and (e) the receipt by the activity or operation of funds for its own account for services it performs.
- 2) An unincorporated foreign activity or operation of a U.S. company generally would not be considered a foreign affiliate if it: (a) conducts business abroad only for the U.S. company's account and not for its own account (e.g., sales promotion or public relations-type activities), (b) has no separate financial statements, (c) receives funds to cover its expenses only from the U.S. company, (d) pays no foreign income taxes, and (e) has only limited physical assets, or employees, permanently located abroad."

27. It is proposed to apply the third method which appears to be feasible in the light of the actual practices of the numerous Members which compile data on construction (see note TC/WP(89)63).

28. The fourth borderline case is installation abroad. The Fourth Edition of the Manual (paragraph 73) distinguishes between: (a) work of installation carried out entirely, or primarily, by the employees of the enterprise that installs machinery or equipment abroad: this is treated as a service; (b) if a significant portion of the work of installation is performed by residents of the economy where the machinery or equipment is installed, the service should be attributed to a direct investment enterprise.

29. The Expert Group on External Sector Transactions proposed that all enterprises engaged in installation of equipment abroad should be considered residents of their economy of origin; all receipts from installation work abroad are treated, in this case, as service receipts. Experts agree with this solution, except for cases of installation work performed by foreign affiliates.

30. The fifth borderline case is franchising. It covers not only the use of tradenames, but also the provision of managerial training and assistance on continuing basis (such as advertising and counselling). Franchising fees combine elements of factor income and service payments, but it appears that normally the two elements cannot be separated, and that the use of tradenames is the predominant factor in franchising. Practically all Experts opt for recording franchising fees as factor income.

### III.3 Services versus Capital Gains and Losses

31. The borderline cases between services and capital gains (losses) relate to pairs of transactions that are closely linked, because a transactor intends to dispose of a certain asset at virtually the same time when ownership of it is nominally acquired. Such cases include, for example, arbitrage and dealings in foreign exchange. Two solutions are possible:

- a) Since formally a change of ownership has occurred, the profit or loss can be regarded as the realisation of a capital gain or loss; this solution is recommended in the Manual (para. 370).
- b) It is assumed that no change of ownership has effectively taken place, so that the profit could be considered as a fee for services; instead of representing an explicit fee, the charge for the service takes the form of a differential between buying and selling rates; hence what appears nominally as a capital gain is more meaningfully interpreted as a fee for services rendered.

32. From a conceptual point of view, a distinction can be made between gains and losses of a dealer trading on his own account, and implicit fees charged to customers in the form of a differential between buying and selling rates. But in practice such a distinction can hardly be applied; hence the majority of Experts opt for a uniform treatment of both categories.

33. It results from Experts' replies (note TC/WP(89)63) that so far no country compiles comprehensive data on these capital gains and losses, nor is it intended to do so. For this reason, it is suggested to confine the recording of capital gains and losses to foreign exchange dealings.

#### IV. A Possible Classification of Services

34. A possible classification of services is set out in the Appendix of this note. It is based on the following considerations, which have been approved by all balance-of-payments experts:

- a. There should be continuity with the list of standard components in the Fourth Edition of the Manual, in line with the unanimously expressed opinions of balance-of-payments experts. This is reflected in the fact that the first two categories of the suggested classification represent standard items of the Fourth Edition of the Manual: transport (broadly equivalent to the two Manual items "Shipment" and "Other Transportation") and travel.
- b. The new classification should be linked to the CPC, preferably at a high level of that hierarchy, but the linkage should be flexible because the CPC is geared more to domestic than to international transactions: some services are of particular interest from an international standpoint, while others are essentially untradable. The CPC is still in the process of elaboration, so that the trade-in-services classification is subject to changes if the present CPC draft is modified. In addition, explanatory notes for the CPC items are not yet available; hence the standard definitions of the individual items proposed below are provisional.
- c. Present data constraints are a significant factor, but they should not preclude efforts to devise a new services classification, which is conceived for the future, and should take account of structural changes in the international economy.

35. The Section "Merchandise" is included in the draft classification in order to clarify the proposed treatment of repairs and processing (see para. 20 of this note), as well as of procurement of goods in ports (para. 36).

36. Category 1 Transportation corresponds to the IMF Manual categories "Shipment" and "Other transportation" except that it excludes : (i) freight insurance (insurance on movable goods during the course of shipment) which are included in the Category Insurance Services and (ii) procurement of goods in ports (fuel, provisions, stores and supplies), which are shown under "Merchandise".

37. The structure of this category closely follows the CPC Divisions 71 to 74 with the following exceptions : (i) CPC Group 747 (Travel agencies, tours operators and tourist guide services) is excluded, as it is more appropriate to the Category Travel. (ii) supporting services that can be attributed to individual modes of transportation (railway, water and air transport) are grouped with them, so that the item 1.8 supporting and auxiliary services is confined to multimodal services. In this way, the individual items of this category are organised, as far as possible, on the basis of modes of transportation. The proposed classification of transportation is very similar to the EUROSTAT classification, whereas the IMF does not provide for a breakdown by modes of transportation.

38. The Category 2, Travel, corresponds to the IMF Manual definition as covering the goods and services acquired from an economy by travellers (business travellers, students and trainees, excursionists and other travellers) during their stay for less than one year in the economy (paragraphs 278-286) except that the one-year rule is relaxed for students and medical patients. Travel is identified on the basis of demand, therefore it cuts across CPC categories.

39. The IMF Manual does not provide for a breakdown of total travel. In order to allow linkage with tourism statistics, the breakdown proposed here reflects the classification of the World Tourism Organisation (WTO); practically all Experts agree with this in principle. WTO (8) defines international tourists as "international visitors staying at least one night but not more than one year in the country visited and whose main purpose of visit can be classified under:

- a) Pleasure: holidays, culture, active sports, visits to friends and relatives, other pleasure purposes;
- b) Professional: meeting, mission, business;
- c) Other tourism purposes: studies, health, pilgrimage."

The breakdown into tourists and other travellers is also made in the IMF classification, while the EUROSTAT classification is based on the distinction between professional and private travels. A further dissection of travels which would permit a link to the CPC could be provided in a satellite account.

40. Category 3, Construction Services, corresponds, at the aggregate level, to CPC Division 51 (Construction Work); it is close to the EUROSTAT category. For compiling data on these services it is proposed to apply the methods outlined in paras. 26(iii) and 29 of this note.

41. Category 4, Trade Services, corresponds to the total of CPC Division 83 (Commission Agents' and Wholesale Trade Services); it relates to commodities.

42. Category 5, Communications, corresponds to CPC Division 75. The breakdown of the item "Postal and courier services" reflects the CPC Classes. For the item "Telecommunication services" the division between basic point-to-point transmission services of voice and data (by telephone, telex and telegram) and enhanced, value-added services (such as electronic mail, videotex, facsimile service) is proposed instead of the CPC breakdown. This is in line with the distinction between basic and value-added services which plays an important role in the Uruguay Round negotiations on the liberalisation of trade-in-services (9) and in the European Single Market Project.

43. Category 6, Insurance Services, reflects the consensus among Experts that insurance and financial services should form separate categories; in contrast, CPC groups them into one category. The proposed breakdown reflects the distinction between intermediation and auxiliary services embodied in the CPC. It represents an abridged version of the CPC classification, except that it includes a sub-item "Reinsurance".



44. Basic issues regarding the methods of recording insurance services (should all premiums and claims be recorded under services or should only imputed services charges be shown as services?) are under review in the UN Groups of Production Accounts and of Financial Flows and Balances. These Groups recommended to record imputed service charges defined as:

Gross premiums earned

- + net income from investment of technical reserves
- claims due
- changes in technical reserves to meet future claims net of the capital gains and losses allocated to the insured included in these technical reserves.

45. The category 7, Financial Services (other than insurances) is also geared to the CPC distinction between: (i) financial intermediation: the services related to obtaining and redistributing funds other than for the purpose of insurance or pension funding and (ii) auxiliary services: services involved in or closely related to financial intermediation, other than insurance and pension funding. Its breakdown broadly follows the four-digit CPC structure.

46. There is agreement that an institutional breakdown of financial services should not be embodied in the main classification because the institutional boundaries are being eroded by deregulation and innovation leading to despecialisation. An institutional breakdown could, however, be added as a memorandum item.

47. Category 8, Computer and related Services corresponds to the CPC Division 84; they are proposed as a separate category (instead of treating them as a component of "other business services") because of their increasing economic importance. Its breakdown reflects the CPC structure.

48. Category 9, Other Business Services corresponds to the CPC Divisions 82, 83, 85, 86 and 87, with a similar major breakdown. The sole exception is sub-item 9.6 "General management services", which corresponds to the IMF Manual item "Management" (para. 332), defined as "provision of

management, accounting, and kindred services to a branch or subsidiary by its parent". This item appears in many national classifications as "overhead expenses", "management fees", or "management services".

49. Category 10. Agricultural, mining and manufacturing services, Category 11. Education and health services and Category 12. Recreational, cultural and sporting events, reflects CPC Divisions, with a breakdown along CPC lines

50. Category 13. Governmental Services, corresponds to the definition of the IMF Manual: "Goods, services, and income to be classified in this category are all the real resources relating to the government sectors, that have not been classified under merchandise, shipment, other transportation, travel and investment income" (paragraph 307), except that it excludes factor income. It is defined - like travel - by the transactors and not by the nature of the products concerned, and is not consistent with the CPC classification. The breakdown of this category is similar to the EUROSTAT classification.

## NOTES AND REFERENCE

1. Document TC/WP(88)13(1st Revision).
2. OECD Committee on Financial Markets, Statistics on International Trade in Financial Services (doc. CMF(89)11).
3. Cf. International Monetary Fund, Balance of Payments Manual, Fourth Edition 1977 and United Nations, System of National Accounts 1968.
4. T.P. Hill, "On Goods and Services", Review of Income and Wealth 1977, and "The Economic Significance of the Distinction Between Goods and Services", presented at the 20th General Conference of the International Association for Research in Income and Wealth 1987.
5. O.G. Whichard, US International Trade and Investment in Services: Data Needs and Availability, Washington 1984.
6. United Nations Statistical Office, Service Statistics within the United Nations Statistical Activities, 1987.
7. OECD, Detailed Benchmark Definition of Foreign Direct Investment, Paris 1983, paragraphs 74-76.
8. Cf. World Tourism Organisation, Intergration of Tourism in the ISIC and CPC of the United Nations 1987.
9. GATT Newsletter no. 63, July 1989, page 12.

# APPENDIX

## Proposed Classification of Services Transactions

OECD Proposal	CPC (Oct. 1988)
<b>A. <u>Merchandise</u></b>	
1. Exports (fob) and imports (fob)	
2. Repairs	
2.1 Repairs of investment goods	
2.2 Other repairs	
3. Processing	
3.1 Processing implying a substantial physical change of the goods processed	
3.2 Other processing	
4. Procurement of goods in ports	
<b>B. <u>Services</u></b>	
1. <u>Transportation</u>	71 + 72 + 73 + 74 + 747
1.1 Sea transport	721 + Part of 745
1.1.1 Passenger transportation	7211
1.1.2 Freight transportation	7212
1.1.3 Rental of sea-going vessels with crew	7213
1.1.4 Supporting and other services	7214 + Part of seagoing vessels in 745
1.2 Air transport	73 + 733 + 746
1.2.1 Passenger transportation	731
1.2.2 Freight transportation	732
1.2.3 Rental of aircraft with crew	734
1.2.4 Supporting services	746
1.3 Space transport	733
1.4 Rail transport	711

1.4.1	Passenger transportation	7111
1.4.2	Freight transportation	7112
1.4.3	Rental of wagons	
1.4.4	Supporting and other services	7113 + 743
1.5	Other land transport	712 + 744
1.5.1	Passenger transportation	7121 + 7122
1.5.2	Freight transportation	7123
1.5.3	Rental of commercial vehicles with operator	7124
1.5.4	Supporting and other services	744
1.6	Internal waterways transport	722 + Part of 745
1.6.1	Passenger transportation	7221
1.6.2	Freight transportation	7222
1.6.3	Rental of vessels with crew	7223
1.6.4	Supporting and other services	7224 + Part of non-sea- going vessels in 745
1.7	Pipeline transport	713
1.8	Supporting and auxiliary transport services	741 + 742 + 747 + 748 + 749

## Travel

### 2.1 Tourists

- 2.1.1 Pleasure travels
- 2.1.2 Professional travels
- 2.1.3 Other, of which:
  - a) Studies
  - b) Medical care

### 2.2 Other travellers, of which:

- a) Studies
- b) Medical care

## Construction Work

		51
3.1	General construction work for buildings	512
3.2	General construction work for civil engineering	513
3.3	Installation and assembly work	514 + 516
3.4	Other	511 + 515 + 517 + 518

## Trade Services

		62
4.1	Merchanting	622
4.2	Commission agent's services relating to goods	621

5.	<u>Communications</u>	75
5.1	Postal and courier services	751
5.1.1	Postal services	7511
5.1.2	Courier services	7512
5.2	Telecommunications services	752
5.2.1	Basic point-to-point transmission services	
5.2.2	Value-added services	
6.	<u>Insurance Services</u>	812 + 814
6.1	Life insurance	81211
6.2	Pensions, annuities, accident and health insurance	8121 - 81211
6.3	Transport insurance	81292
6.4	Freight insurance	81293
6.5	Reinsurance	
6.6	Other	
6.7	Auxiliary services	814
7.	<u>Financial Services</u> (Other than insurances)	
7.1	Financial intermediation services	811
7.1.1	Services of monetary intermediaries	8111
7.1.2	Financial leasing services	8112
7.1.3	Other	8113 + 8119
7.2	Services auxiliary to financial intermediation	813
7.2.1	Administration of financial markets	8131
7.2.2	Security dealings and related services	8132
7.2.3	Other	8133
8.	<u>Computer and related services</u>	84
8.1	Consultancy services	841
8.2	Software implementation	842
8.3	Data processing	843
8.4	Data base services	844
8.5	Other	845 + 849
9.	<u>Other business services</u>	82 + 83 + 85 + 86 + 87
9.1	Leasing or rental without operators	83

9.1.1	Relating to ships	
9.1.2	Relating to aircraft	
9.1.3	Relating to other transport equipment	
9.1.4	Relating to other goods	
9.2	Research and development services	85
9.3	Legal services	861
9.4	Accounting, auditing, bookkeeping and taxation services	862 + 863
9.5	Management consulting services	865 + 866
9.6	General management services	
9.7	Architectural, engineering and other technical services	867
9.8	Advertising, market research and public opinion polling	864
9.9	Other	82 + 87
10.	<u>Agricultural, mining and manufacturing services</u>	88
10.1	Agricultural services	881 + 882
10.2	Mining services	883
10.3	Manufacturing services	884 + 885 + 886 + 887
11.	<u>Education and health services</u>	92 + 931 + 932
11.1	Educational services	92
11.2	Health services	931 + 932
12.	<u>Recreational, cultural and sporting services</u>	96
12.1	Motion pictures, radio and television services	961-9619
12.2	Other	
13.	<u>Governmental services</u>	
13.1	Expenditure of embassies and consulates	
13.2	Expenditure of military units and agencies	
13.3	Aid services	