

PROPOSALS FOR A JOINT OECD-EUROSTAT  
TRADE-IN-SERVICES CLASSIFICATION

Contribution to the Fifth Meeting  
of the Voorburg Group on Service Statistics

Paris, drafted: 11th July 1990

dist.:

TD/TC/WP(90)43

Scale 6

Or. Engl.

WORKING PARTY OF THE TRADE COMMITTEE

PROPOSALS FOR A JOINT OECD-EUROSTAT  
TRADE-IN-SERVICES CLASSIFICATION

(Note by the Secretariat)

1. This note sets out revised proposals for a joint OECD-EUROSTAT classification of service transactions in the balance-of-payments context. It will be discussed at the next Joint OECD-EUROSTAT Meeting of Balance-of-Payments Experts scheduled for the 8th and 9th November 1990 in Paris.
2. The broad structure of the proposed classification compared to the classification of the International Monetary Fund (IMF) is presented in Appendix I to this note, the detailed classification is set out in Appendix II. In the commentary to the classification (paras. 7 to 65), for each item of the classification, a general definition and lists of flows included and excluded are presented; these lists are not intended to be exhaustive, they are designed to clarify the borderline cases.
3. Member countries' balance-of-payments experts are requested to test the attached classification. Testing relates to the examination of the following questions:
  - i) are the items and sub-items of the classification analytically useful;
  - ii) are the definitions appropriate;
  - iii) are there borderline cases that require further clarification; which solutions are suggested for them;

iv) are data available that go beyond the information presented in the OECD document "OECD Countries' International Trade-in-Services 1970-1987" of January 1990 (DES/NI(89)14);

v) which data relating to the classification can be collected over the next years.

4. The discussions at the Joint OECD-EUROSTAT Balance-of-Payments Experts Meeting on 28th and 29th September 1989 (see Aide-mémoire TC/WP(89)91) and the subsequent consultations between OECD and EUROSTAT officials have allowed to eliminate most of the differences between OECD and EUROSTAT views which had been listed in the note "Synthesis of OECD and EUROSTAT Proposals for a new Trade-in-Services Classification" (TC/WP(89)62). The few remaining differences have been translated into alternative proposals that are set out in the commentary and in the classification.

5. The classification presented in Appendix II is based on the following considerations:

- a) The classification should be compatible with the new IMF classification; as is shown in Appendix I, there is full compatibility of the proposed classification with the latest version of the IMF draft classification at the one-digit level.
- b) The classification should take into consideration the statistical needs of the multilateral trade negotiations on services.
- c) The new classification should be linked to the United Nations Central Product Classification (1) (CPC), preferably at a high level of that hierarchy. 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 untradeable. 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 substantially modified. In addition, explanatory notes for many CPC items are not yet available, while the third revision of the United Nations International Standard Industrial Classification (2) (ISIC) has been finalised. In view of the close links between ISIC and the CPC, broad definitions of items have been derived from ISIC Rev. 3 as a complement to the available draft explanatory notes of the CPC.
- d) 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 which should take account of structural changes in the international economy.

6. The classification covers goods and services, in order to ensure consistency between the two parts and to specify the proposed treatment of borderline cases.

**A. MERCHANDISE OTHER THAN MERCHANTING, REPAIRS, PROCESSING AND PROCUREMENT OF GOODS IN PORTS**

7. This category is defined as covering all movable goods that have crossed the frontier of the compiling economy, the ownership of which is transferred from a resident to a non-resident.

8. It includes the following items:

- i) grants (including the dispatch of goods to developing countries, e.g. food aid in kind)
- ii) military equipment
- iii) goods for construction sites; these should not be recorded under the construction heading
- iv) purchase/sale of mobile equipment (aircraft, ships)
- v) goods purchased under a financial leasing contract (on the other hand, goods acquired temporarily under an operational leasing contract should not be included)
- vi) migrants' effects
- vii) smuggled goods
- viii) commodity gold
- ix) parcels and newspapers sent by direct subscription
- x) electricity, gas, water.

9. It excludes the following items:

- i) goods that have crossed the frontier but do not involve a change of ownership, e.g. goods for armed forces stationed or operating abroad, temporary exports (goods for display purposes, machines to be used for construction work), goods before/after repair or processing
- ii) purchase by frontier workers; these should be debited from the "labour income" heading
- iii) sales of land
- iv) monetary gold
- v) goods the ownership of which has been transferred from a resident to a non-resident, but which have not crossed the frontier of the compiling economy (merchanting).

## B. OTHER MERCHANDISE TRANSACTIONS

### 1. Merchanting

10. Merchanting is defined as the purchase of a good by a resident from a non-resident, followed by the sale of the good to another non-resident without the good crossing the frontier of the compiling economy. Merchanting relates to the same kinds of goods as those included in Category A, except that there is no crossing of the compiling country's frontiers. Changes in the stocks held abroad by the traders should be excluded.

11. Merchanting should be recorded on a "net" basis. However, gross figures (i.e. the purchases/sales of the goods that are the object of the transaction) should be provided under the Memorandum item, as they are useful for the geographical breakdown and for the analysis of asymmetries.

### 2. Repairs

12. Repairs should be valued at the price of the repair, and not at the value of the good before or after repair. They should reflect the fees paid (or received) for the repair of goods.

13. Under this heading should be included:

- i) repairs on imported/exported goods
- ii) repairs on transport equipment (aircraft, ships, trains)
- iii) on-site repairs.

14. The following should be excluded:

- i) on-site repairs to computers; these should be recorded under "computer and related services"
- ii) construction repairs, which should be recorded under "Construction services"
- iii) maintenance of transport equipment performed in ports and airports should be recorded under "Supporting and auxiliary transport services".

### 3. Processing

15. Processing performed abroad comprises two types of transactions: a) the export of a good (e.g. crude oil, fabric) which remains the property of the exporter; b) the reimport of the good which has undergone a physical change (refining of crude oil into petrol, transformation of fabric into clothing) on the basis of a contract or for a fee. Symmetrically, processing performed in the compiling economy consists of an import followed by an export. Processing can consist of any activity performed under contract: oil refining, metal

processing, vehicle assembly, clothing manufacture, etc. The value of the good before and after processing should be recorded when the good has been exported and then imported (or vice-versa).

16. The following should be excluded:

- i) on-site processing, which should be treated as the import or export of a service (to be recorded under the "Agricultural mining and manufacturing services" heading) and valued as such
- ii) processing giving rise to an export not followed by an import (or vice-versa), e.g. the processing of nuclear waste (to be recorded under "Agricultural, mining and manufacturing services").

4. Procurement of goods in ports

17. Under this heading should be recorded all goods that resident carriers (air, shipping) procure abroad (or vice-versa). It mainly covers fuel, provisions, stores and supplies for carriers, but does not include services provided (stowing, towing, repairs, maintenance), which should be recorded under "supporting and auxiliary transport services".

## C. SERVICES

### 1. Transportation

18. This category covers passenger and freight transport, by all modes of transportation, and auxiliary services (such as storage, cargo handling and terminal facilities), including the renting of transport equipment with driver and operator.

19. It excludes:

- i) freight insurance (insurance on movable goods during the course of the shipment) which is included in "Insurance services"
- ii) procurement of goods in ports (fuel, provisions, stores and supplies) which are shown under "Other merchandise transactions"
- iii) repair of transport equipment (included in "Other merchandise transactions")
- iv) repair of roads, railways, harbours and airfields which should be recorded under "Construction services".

20. The structure of this category closely follows the CPC Divisions 71 to 74, with the following exception: CPC Group 747 (Travel agencies, tour operators and tourist guide services) is excluded, as it is more appropriate to the Category Travel. There is a divergence of views between OECD and EUROSTAT as regards the treatment of supporting and auxiliary services:

- i) OECD proposes that supporting and auxiliary services that can be attributed to individual modes of transportation should be grouped with them, so that the item "Supporting and auxiliary services" is confined to multimodal services
- ii) EUROSTAT proposes that all supporting and auxiliary services are grouped together in the item "Supporting and auxiliary services", in line with the CPC breakdown; this item is subdivided by modes of transport.

a) Freight transportation

21. For the coverage of this item divergent proposals are advanced:

- i) OECD proposes to record as credits all services performed by resident carriers in respect of exports and of transport of merchandise between third countries, and as debits all services performed by non-resident carriers in respect of imports
- ii) EUROSTAT proposes to record as credits, in addition to services performed by resident carriers in respect of exports and of transport between third countries, also services provided to non-residents by resident carriers on imports; as debits, in addition to non-resident carriers' services in respect of imports, also their transport of exported goods provided to residents by non-residents carriers. This method is coherent with the "ex works" valuation for merchandise.

b) Passenger transportation

22. Under this heading should be recorded:

- i) as credits: transport by resident carriers of non-residents between the compiling economy and abroad, or between two foreign countries, or in a foreign country;
- ii) as debits: transport by non-resident carriers of residents between the compiling economy and abroad, or between two foreign countries, or in the compiling country.

23. Transport of non-residents in the economy by a resident carrier and transport of residents in a foreign country by non-resident carriers, should not be included: they should be recorded under the "Travel" heading. International transport included in package tours should be recorded under passenger transport and not under travel. The total price of cruises should be recorded under the travel heading, since the cost of the international transport cannot be separated from the other services in the package.

c) Rentals of sea-going vessels and of aircraft with crew

24. These items cover rentals for a limited period and to specific destinations. They also include towing and pushing services which relate primarily to the transport of oil platforms, floating cranes and dredges.

d) Space transport

25. Space transport includes satellite launches undertaken by commercial enterprises for the owners of the satellite, such as telecommunications companies.

e) Supporting and auxiliary transport services

26. These comprise the following services in ports, airports, stations:

- i) loading and unloading of containers
- ii) packing
- iii) storage and consignment
- iv) parking
- v) stowage
- vi) pilotage, towing and navigational aid
- vii) maintenance, cleaning and disinfection of transport equipment
- viii) salvage and refloating of vessels
- ix) customs transit.

2. Travel

27. This category covers 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, except for students for whom the one-year rule is relaxed. Travel is identified on the basis of demand, therefore it cuts across CPC categories.

28. Personnel posted to a military base or embassy, and frontier and seasonal workers, are not regarded as travellers: expenditures by personnel posted to a military base or embassy should be recorded under the "Governmental transactions" heading: expenditure by persons directly engaged in a productive activity for a resident entity in the economy (frontier and seasonal workers) should be recorded as a debit under the labour income heading.

29. In order to allow linkage with tourism statistics, expenditure by tourists in the sense of the World Tourism Organisation (3) (WTO) are shown as memorandum item. WTO 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."

### 3. Communications

30. This category is identical to the CPC category 75 "Post and telecommunication services". It can be described in terms of ISIC Division 64 (Post and telecommunications) as corresponding to:

- i) Post and courier activities: pick-up, transport and delivery of mail and parcels; mail sorting, mailbox rentals, poste restante and distribution of newspapers, magazines and catalogues;
- ii) Telecommunications: transmission of sound, images or other information via cables, broadcasting, relay or satellite; included are telephone, telegraph and telex communications; also included is the maintenance of the network.

31. The proposed breakdown of the item "Postal and courier services" is based on the distinction between postal services (services provided by the national postal administration) and courier services (services provided by other operators).

32. For the breakdown of the item "Telecommunications":

- i) OECD proposes the division between basic point-to-point transmission services of voice and data (by telephone, telex and telegram) and enhanced, value-added service (such as electronic mail, teletext, videotex, facsimile service) 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 (4) and in the European Single Market Project.
- ii) EUROSTAT prefers the distinction between:
  - reserved services i.e. services provided by a monopoly (either public or private)
  - non reserved services i.e. services provided on a competition basis.

From the EUROSTAT point of view, in practice the difference between the two proposals are unimportant because "basic services" are probably identical to "reserved services". However the distinction "reserved/non-reserved" is more convenient than "basic/value added" because it is more in line with the concepts used in the Uruguay negotiations and easier to implement in practice.

### 4. Insurance services

33. This category corresponds to the sum of two CPC Groups: "Insurance, including reinsurance, and pension fund services, except compulsory social security services" (B12) and "Services auxiliary to insurance and pension

funding" (814). Their definitions can be derived from ISIC Division 66 and Group 672. Division 66 ("Insurance and pension funding, except compulsory social security") includes long and short-term risk spreading with or without a savings element. Group 672 includes activities involved in or closely related to the management of insurance and pension funding (activities of insurance agents, average and loss adjusters, actuaries and salvage administration). Transactions relating to the compulsory social security are excluded.

34. The proposed breakdown of insurance services is based, in the first place, on the distinction between life and non-life insurance. This distinction plays a role in the Uruguay Round negotiations (5) and in the European Single Market Project. Life insurance includes pensions and annuity services, as well as accident and health insurance. Freight insurance relates to movable goods during the course of shipment, i.e. goods exported and imported. Other insurance covers motor vehicles, marine and aviation insurance, fire and other property damage, pecuniary losses, general liability, etc.

35. The value of insurance services should not be measured by gross premiums received and claims paid, but by imputed services charges, in line with the rules of the United Nations System of National Accounts (SNA) (6). EUROSTAT proposes that this rule should be subject to the agreement of the experts group for the revision of the IMF BOP Manual. The SNA is presently under revision, and no decision on how to calculate these imputed services charges in the context of the new SNA version has been taken. For the moment, the following method is being discussed:

- Gross premiums earned
- + Net income from investments
- + Capital gains or losses on investments
- Claims due
- Changes in actuarial reserves and reserves for with-profits insurance policies
- = Value of the output of insurance services

36. EUROSTAT proposes to record under "Insurance transfers":

- net premiums i.e. gross premiums less the valuation of insurance services
- claims.

37. There are differing views on the treatment of reinsurance:

- i) OECD proposes to show it as a separate sub-item
- ii) EUROSTAT proposes to break total reinsurance services on the basis of the risk involved.

## 5. Financial services

38. This category corresponds to the sum of two CPC Groups: "Financial intermediation services, except insurance and pension fund services" (811) and "Service auxiliary to financial intermediation other than to insurance and

pension funding" (813). Their definitions can be derived from ISIC Division 65 and Group 671. Division 65 ("Financial intermediation, except insurance and pension funding") covers the activity of obtaining and redistributing funds other than for the purpose of insurance or pension funding. Group 671 includes activities involved in or closely related to financial intermediation, but not themselves involving financial intermediation.

a) Financial intermediation services

39. The definition of this item can be derived from the corresponding ISIC item. It comprises:

- i) 5.1.1 Services of monetary intermediaries related to the obtaining of funds in the form of deposits.
- ii) 5.1.2 Financial leasing refers to leasing where the term approximately covers the expected life of the assets and the lessee acquires substantially all the benefits of its use and takes all the risks associated with its ownership.
- iii) 5.1.3 Other financial intermediation relates to (i) making loans by institutions not involved in monetary intermediation, such as granting of consumer credit and provision of long-term finance to industry, and (ii) distributing funds other than by making loans; this includes investment in securities including dealing for own account by security dealers, investment in property (e.g. property unit trusts), writing swaps, options and other hedging arrangements, including activities of financial holding companies, credit cards services, and transfer and cheque services.

40. Financial intermediation services are reflected, on the one hand, in commissions and fees charged directly for the provision of the services listed in paragraph 38 of this note. They include, on the other hand, banking services that are not explicitly charged, but whose costs are financed by the excess of the interest income which banks receive over their interest payments. For these cases, imputed banking service charges should be calculated, in line with the rules of the SNA. EUROSTAT proposes that this rule should be subject to the agreement of the experts group for the revision of the IMF Manual. As was noted in paragraph 35, the SNA is under revision, so that no concrete proposals for their calculation can be made at this moment. The method envisaged is geared to the choice of an appropriate reference rate of interest (such as the inter-bank rate) and to the estimation of depositors' and borrowers' payments of explicit charges, if the reference rate were to be applied to all depositors and borrowers. The imputed banking service charges would be equal to:

- i) for depositors to the difference between (a) the amounts of interest they would receive if they were paid the reference rate, and (b) the amount of interest (if any) they actually receive.
- ii) for borrowers to the difference between (a) the amounts of interest they pay on their borrowings, and (b) the amounts of interest they would pay if they were charged the reference rate.

41. EUROSTAT emphasised that "any valuation of imputed bank services should be standardised for all compiling economies, as this is fundamental for Community statistics and also very important at world level. Any cause of bilateral asymmetry must be avoided at Community level so that the balance of the EUR 12 aggregate can be drawn up correctly. At world level, concepts must be harmonised so that the flows are comparable: the valuation method must not create more asymmetries to add to the ones listed in the IMF study "Current account discrepancies". Furthermore, if the statistics are to have any relevance, it must be possible to draw up the credits and debits correctly in order to calculate the credit/debit ratios. The debits of imputed banking services appear to be more difficult to value (only non-resident banks have the relevant information). Consequently, EUROSTAT favours including imputed banking services provided that the flows are valued correctly for the balance of payments system."

42. OECD and EUROSTAT aim at different subdivisions of this item:

- i) OECD proposes a breakdown of total financial intermediation services into the three elements described in paragraph 37, i.e. monetary intermediation, financial leasing and other.
- ii) EUROSTAT proposes to break total financial intermediation services into imputed banking services and other services.

b) Auxiliary financial services

43. The contents of this item can be derived from the corresponding ISIC items; it covers:

- i) 5.2.1. Administration of financial markets relates to the operation and supervision of financial markets other than by public authorities, and includes the activities of stock exchanges and other bodies that regulate or supervise the activities of financial markets including exchanges for commodity futures contracts.
- ii) 5.2.2 Security dealing and related services concern dealings in financial markets on behalf of others (e.g. issues, placement and broking) and related activities.
- iii) 5.2.3. Other services auxiliary to financial intermediation include financial and management consultancy; mortgage advice; portfolio, asset and cash management; factoring; guarantee services, income of specialised operators from foreign exchange transactions, etc.

44. This item excludes:

- i) commissions received for brokerage in gold and silver bullion (to be recorded under trade services)

- ii) income of specialised operators from the purchase and sale of financial assets except foreign exchange (to be recorded as capital transactions).

## 6. Construction work

45. This category corresponds to the CPC Division 51 "Construction work". The proposed breakdown closely follows the CPC structure: items 6.1 (General construction work for buildings) and 6.2 (General construction work for civil engineering) correspond to CPC Groups, the two others represent aggregations of CPC Groups.

46. Views differ on the coverage of this category. There is agreement that it should (i) include work undertaken by resident construction enterprises and by members of their staffs working temporarily abroad for construction projects abroad, and (ii) exclude work undertaken by foreign subsidiaries of resident construction enterprises. The divergence relates to work performed by site offices in the form of unincorporated foreign activities or operations of resident enterprises, in the context of only one project.

47. OECD proposes to break activities on the basis of residency criteria and, consequently, exclude the activities of site offices that represent foreign affiliates of resident enterprises. For determining whether a site office in the form of an unincorporated foreign activity or operation represents a foreign affiliate it suggests to use the U.S. Guidelines:

- "i) 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.
- ii) 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) receive 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."

48. EUROSTAT proposal provides for:

Construction carried out abroad by a resident enterprise (or vice versa) must be recorded as follows:

- As "services", if the enterprise operating abroad has no other lasting economic interest in the country in which it is carrying out the construction work (one big project). The enterprise must be considered as exporting a construction service in the same way as some enterprises export an installation service. From a national accounts point of view construction is deemed to be realised by a national unit using local factors of production and importing "construction services".
- Under "direct investments", if the enterprise operating abroad has a centre of economic interest in the country in which it is carrying out the construction work".

Several points must be clarified concerning the import/export of construction services:

- Goods imported into the country in which the construction is carried out must be recorded as imports of goods and must not be included under the import of construction services.
- The practical problems involved in valuing construction services (more or less gross or more or less net) are not easy to solve. However, they are similar to those relating to installation services and therefore logically independent of the duration of the project (1 year or more). Detailed rules should be set out in the next IMF manual.
- However, the financial relations between a company and its subsidiary/branch must be considered as investment/disinvestment/income from direct investment whenever the subsidiary/branch has a centre of economic interests in the country in which it operates: e.g. subsidiaries/branches set up for an unspecified period of time to carry out construction work which is not limited a priori.
- The treatment outlined above meets one of the information requirements in multilateral trade negotiations, for which it is very useful to have statistics relating to construction contracts (one big project). The treatment of these flows under direct investment would make it impossible to provide this information: it would not be possible to distinguish such flows from other direct investments.

## 7. Computer and related services

49. This category corresponds to the sum of CPC Division 84 "Computer and related services" and Group 962 "News agency services". The proposed breakdown closely follows the CPC structure, except that EUROSTAT proposes to group data processing, data base services and news agencies into a category "Information Services".

50. Definitions of the proposed items can be derived from the corresponding ISIC items (Division 72):

- i) Hardware consultancy services relate to consultancy on type and configuration of hardware with or without associated software application.
- ii) Software implementation refers to analysis, design and programming of systems ready to use; this involves development, production, supply and documentation of order-made software including operating systems based on orders from specific users (customised software), including the supply of documentation and implementation/maintenance services. The sale of packaged (non-customised) software and computer training services are excluded (they should be recorded as education services).
- iii) Data processing relates to the routine processing or tabulation of all types of data including changes of media (magnetic tape, floppy disk, CD-ROM); included is the provision of such services on an hourly or time-share basis and the management and operation of data processing facilities of others on a continuing basis.
- iv) Data base services cover database development, data storage and database availability. This includes the supply of historical or real-time data of any kind, such as financial, economical, statistical or technical, on-line or on support (magnetic tape, floppy disk, CD-ROM).
- v) Newsagencies services cover furnishing news, pictures, features to the media and news reporting services.
- vi) Other computer services mainly include maintenance and repair of computers and computer peripheral equipment.

#### 8. Other business services

51. This category corresponds to the sum of CPC Group 621 (Commission agents' services) and Section 8 (Business services: agricultural, mining and manufacturing services) excluding Divisions 81 (financial intermediation services) and 84 (Computer and related services) as well as repairs and processing (recorded under items B2 and B3 of the proposed classification). Definitions of the items of this category can be derived from the corresponding ISIC items (Divisions 51, 70, 71, 73 and 74).

52. Trade services cover commission agents' services relating to goods; they refer to activities of merchandise and commodity brokers and commission merchants who receive commissions and fees. This includes purchases of goods, mainly raw materials (including gold and silver bullion) and ships and aircraft. Commissions on sales by auction are also included. Income from franchising is excluded, and should be recorded under the property income heading; brokerage in financial instruments (even those relating to merchandise) is also excluded, and should be recorded under financial services.

53. Operational leasing or rental without operators relates to rental and leasing other than financial leasing (which is included under item 5.1.2 of the proposed classification) of machinery and equipment, with or without maintenance; it excludes property rentals (to be recorded as direct investment income); "Other transport equipment" (sub-item 8.2.3.) includes wagons, containers and oil-rigs.

54. Research and development services relate to basic research, applied research and experimental development of new products; the basic criterion is the presence of an appreciable element of novelty. In principle, all areas of research should be included: physics, chemistry, biology, engineering, agriculture, medicine, social and economic sciences, linguistics, interdisciplinary research. The development of new materials (including computer components) is included. Excluded is the development of operating systems (recorded as software services).

55. Legal services cover legal advice, legal representation (lawyers' services) and certification and drafting of legal instruments (e.g. relating to patents). Tax consultancy is excluded.

56. Accounting, auditing, book-keeping and tax consultancy services relate to the recording of commercial transactions for businesses or others, the certification of their accuracy, the preparation of personal and business income tax returns and advisory activities and representation on behalf of the clients before tax authorities.

57. Management consulting services relate to the provision of advice, guidance or operational assistance to businesses; they involve public relations (i.e. to create a favourable image for the enterprise with the public, but excluding advertising), planning, organisation, efficiency control, management information, arbitration in disputes between employers and employees, etc.

58. The item "Architectural, engineering and other technical consulting services" covers:

- i) design of architectural and urban development projects and works inspection
- ii) project design (including planning) for bridges, tunnels, dams, airports, factories, turnkey projects, etc. and project supervision
- iii) prospecting, cartography, surveying, product-testing, product certification (conformity tests) and technical inspection.

59. The item "Advertising, market research and public opinion polling" covers:

- i) services provided by advertising agencies for the design, creation and marketing of advertisements: placing of advertisements in the media (periodicals, radio and television), which includes the



purchase/sale of advertising space; exhibition services provided by trade fairs and shows; operating expenses of offices and agencies for the promotion of products abroad.

- ii) market research to obtain information about a product's market prospects and about public opinion on political, economic and social issues.

60. "Agricultural, mining and manufacturing" services cover specific services to agriculture, fisheries and mining, such as: services to increase crop yields, to protect crops against diseases and insects; harvest-related services; livestock services; forestry service (planting, fire prevention), and on-site processing or work on goods that have been imported, but not re-exported (or vice-versa), such as nuclear waste processing. They exclude repairs and processing of goods that are re-exported after import.

61. "Other services" cover real estate services, placement and supply services of personnel (including on a temporary basis), investigation and security services, building-cleaning services, photographic services, packaging services, translation and interpretation, etc.

#### 9. Other personal services

62. This category broadly corresponds to the CPC Section 9, but excludes CPC items that are not tradeable, such as services provided to the community. Definitions of the individual items can be derived from the corresponding ISIC items (Divisions 80, 85, 92 and 93).

63. Educational services relate to public as well as private education of all types, provided by institutions as well as by private teachers, as a full time education or on a part-time or intensive basis, at any level or for any profession. Included is income of enterprises providing teaching services abroad and expenditure by enterprises on teaching services received by their staff abroad. Excluded are educational services rendered by the government (recorded under Category 10) and services provided in the reporting country to foreign travellers (they are included in Category 2 Travel).

64. Health services relate to activities of general and specialised health institutions which have accommodation facilities, and to consultation and treatment activities of general physicians and medical specialists. This item includes fees received by doctors and surgeons providing health services abroad. Excluded are health services rendered by the government (recorded under Category 10) and services provided in reporting country to foreign travellers (they are included in Category 2 Travel).

65. Motion pictures, radio and television services relate to the production of motion pictures (whether on film or on video tape) and of radio and television programmes (whether live or on tape or other recording medium). This item includes fees received by resident actors, producers, etc. for films and television programmes produced abroad (or vice-versa), and distribution rights (music, motion pictures, TV films, shows) sold to the media (radio and television) for a given area and a limited number of showings; this income should be regarded as income from the sale of a service and not as capital

income. It excludes purchases (sales) of films, programmes recorded music, musical compositions and books, which are considered as purchases (sales) of intangible assets.

66. Other recreational, cultural and sporting services include entertainment services other than those recorded under item 9.3: such as theatrical producers', singers', bands' and orchestras' services, circus, amusement parks and similar attractions services, libraries, archives, museums, and other cultural services, sporting and other recreational services.

67. Other services include textile cleaning services, hairdressing, funeral services and domestic services.

#### 10. Government services, not included elsewhere

68. This category is residual. It covers all goods and service transactions relating to the government sectors that have not been classified under other items. It includes:

- i) expenditure by embassies, consulates and military units and agencies
- ii) paid services relating to general administration, defence, health and education. Other paid services are recorded under other headings (e.g. communications)
- iii) all aid services, i.e. services not giving rise to a payment and which involve and unrequited transfer.

## NOTES AND REFERENCES

1. United Nations. Final Draft of the Central Product Classification (CPC). New York. 14 October 1983.
2. United Nations. International Standard Industrial Classification of All Economic Activities. Series M, No. 4, Rev. 3, New York, 1989.
3. Cf. World Tourism Organisation, Integration of Tourism in the ISIC and CPC of the United Nations, 1987.
4. GATT Newsletter no. 63, July 1989, page 12.
5. GATT Newsletter no. 66, November 1989, page 8.
6. United Nations. System of National Accounts, 1968.

## Appendix I

## BROAD STRUCTURE OF CLASSIFICATIONS

<u>IMF Classification</u> <sup>(1)</sup>	<u>OECD-Eurostat Classification</u>
1. Transport and storage services	1. Transportation
2. Travel	2. Travel
3. Government services n.i.e.	10. Government services n.i.e.
4. Postal and telecommunication services	3. Communications
5. Insurance services	4. Insurance services
6. Financial services	5. Financial services
7. Business services	6. Construction work +7. Computer and related services +8. Other business services
8. Miscellaneous services	9. Other personal services

---

1. International Monetary Fund. Draft Classification of International Transactions in Services: Revised Proposals. September 14, 1989.

## Appendix II

## PROPOSED JOINT OECD-EUROSTAT CLASSIFICATION

CPC (Oct. 1988)

- A. Merchandise other than Merchanting, Repairs, Processing and Procurement of Goods in Ports
- B. Other Merchandise Transactions
  - 1. Merchanting  
Memorandum item: gross flows (purchases and sales)
  - 2. Repairs
  - 3. Processing
    - 3.1 Processing abroad
    - 3.2 Processing in the reporting country
  - 4. Procurement of goods in ports
    - 4.1 In seaports
    - 4.2 In airports
    - 4.3 Other
- C. Services
  - 1. Transportation
    - 1.1 Sea transport
      - 1.1.1 Passenger transportation
      - 1.1.2 Freight transportation

71 through 74-747

721 + Part of 745

7211

7212

1.1.3	Rental of sea-going vessels with crew	7213
<u>OECD proposal:</u>		
1.1.4	Supporting and other services	7214 + Part of sea-going vessels in 745
1.2	Air transport	73-733 +746
1.2.1	Passenger transportation	731
1.2.1.1	Scheduled airlines	7311
1.2.1.2	Non-scheduled airlines	7312
1.2.2	Freight transportation	732 ..
1.2.3	Rental of aircraft with crew	734
<u>OECD proposal:</u>		
1.2.4	Supporting services	746
1.3	Space transport	733
1.4	Rail transport	711 + 743
1.4.1	Passenger transportation	7111
1.4.2	Freight transportation	7112
<u>OECD proposal:</u>		
1.4.3	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
<u>OECD proposal:</u>		
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
<u>OECD proposal:</u>		
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

EUROSTAT proposal:

## 1.8 Total supporting and auxiliary transport services

74

1.8.1 For sea transport

1.8.2 For air transport

746

1.8.3 For other transport

743

2. Travel

2.1 Business travel

2.2 Private travel

2.2.1 For leisure

2.2.2 For studies

2.2.3 For medical care

2.2.4 For other purposes

Memorandum item: Tourists

3. Communications

75

3.1 Postal and courier services

751

3.1.1 Postal service

7511

3.1.2 Courier services

7512

3.2 Telecommunication services

752

OECD proposal:

3.2.1 Basic point-to-point transmission services

3.2.2 Value-added services

EUROSTAT proposal:

3.2.1 Reserved services

3.2.2 Non-reserved services

4. Insurance Services

812 +814

4.1 Life insurance and pension funding

8121

4.2 Freight insurance

81293

4.3 Other insurance

8129-81293

OECD proposal:

4.4 Reinsurance

4.5 Auxiliary services

814

5.	<u>Financial services</u>	811 + 813
	(Other than insurances)	
5.1	Financial intermediation services (imputed and non-imputed)	811
<u>OECD proposal:</u>		
	5.1.1 Services of monetary intermediaries	8111
	5.1.2 Financial leasing services	8112
	5.1.3 Other	8113 + 8119
<u>EUROSTAT proposal:</u>		
	5.1.1 Imputed services	
	5.1.2 Non-imputed services	
5.2	Services auxiliary to financial intermediation	813
	5.2.1 Administration of financial markets	8131
	5.2.2 Security dealings and related services	8132
	5.2.3 Other	8133
6.	<u>Construction work</u>	51
6.1	General construction work for buildings	512
6.2	General construction work for civil engineering	513
6.3	Installation and assembly work	514 + 516
6.4	Other	511 + 515 + 517-518
7.	<u>Computer and related services</u>	84 + 962
7.1	Hardware consultancy services	841
7.2	Software implementation	842
<u>OECD proposal:</u>		
7.3	Data processing	843
7.4	Data base services	844
7.5	News agencies	962
7.6	Other	845 + 849



EUROSTAT proposal:

## 7.3 Information services

- 7.3.1 Data processing
- 7.3.2 Data base services
- 7.3.4 News agencies

## 7.4 Other

8. Other business services

- 8.1 Trade services: commission agents' services relating to goods 621
- 8.2 Operational leasing or rental without operator 83
  - 8.2.1 Relating to ships 83103
  - 8.2.2 Relating to aircraft 83104
  - 8.2.3 Relating to other transport equipment 83101 + 83102 + 83105
  - 8.2.4 Relating to other goods
- 8.3 Research and development services 85

EUROSTAT proposal:

Legal/accounting/management consulting (8.4 + 8.5 + 8.6)

- 8.4 Legal services 861
- 8.5 Accounting, auditing, bookkeeping and tax consultancy services 862 + 863
- 8.6 Management consulting services 865 + 866
- 8.7 Architectural, engineering and other technical consulting services 867
- 8.8 Advertising, market research and public opinion polling 871 + 864
- 8.9 Agricultural, mining and manufacturing services
  - 8.9.1 Agricultural services 881 + 882
  - 8.9.2 Mining services 883
  - 8.9.3 Manufacturing services
- 8.10 Other 82 + 87-871

9. Other personal services

9.1 Educational services	92
9.2 Health services	931 + 932
9.3 Motion pictures, radio and television services	961-9619
9.4 Other recreational, cultural and sporting services	96 -(961 -9619) -962
9.5 Other	97

10. Government services, n.i.e.

10.1 Expenditure of embassies and consulates
10.2 Expenditure of military units and agencies
10.3 Paid services
10.3.1 General administration
10.3.2 Defence
10.3.3 Education
10.3.4 Health
10.4 Aid services
10.4.1 General administration
10.4.2 Defence
10.4.3 Education
10.4.4 Health
10.4.5 Other

D. Property income

1. Income from patents
2. Franchising
3. Other property income

**E. Insurance transfers****1. Life insurance and pension funding**

- 1.1 Net premiums
- 1.2 Claims

**2. Freight insurance**

- 2.1 Net premiums
- 2.2 Claims

**3. Other insurance**

- 3.1 Net premiums
- 3.2 Claims