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ORGANISATION FOR ECONOMIC  
CO-OPERATION AND DEVELOPMENT

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EUROSTAT

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

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

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

- a) The classification should be compatible with the new IMF classification; as can be seen from Appendix II, there is full compatibility of the proposed classification with the latest version of the IMF draft classification at the one-digit level (the ten one-digit items are identical in both classifications).
- 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.
- 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)

## 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. There is a divergence of views between EUROSTAT and OECD on the coverage of this item. EUROSTAT proposes to include all repairs, while OECD -- in line with the IMF (3) -- proposes to limit its coverage to investment goods.

13. Under this heading should be included:

- i) repairs on imported/exported investment 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 substantial physical change (refining of crude oil into petrol, transformation of fabric into clothing) on the basis of a contract and 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). There is disagreement between EUROSTAT and OECD on the coverage of this item. EUROSTAT proposes to include all processing, while OECD -- in line with the IMF (3) -- proposes to limit it to processing leading to a substantial physical change of the goods processed and to exclude other processing, such as repackaging.

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

a) Freight transportation

21. The coverage of this item corresponds to the fob/fob valuation of merchandise. As a memorandum item, freight transportation consistent with an "ex works" basis should be shown, because freight data coherent with the fob/fob valuation do not measure the total market of freight transportation (transportation from the production site to the border of the exporting country is part of the merchandise value in a fob/fob context).

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.

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 seaports, airports and stations:

- i) cargo handling services
- ii) packing
- iii) storage and consignment
- iv) parking
- v) stowage

31. Postal services relate to services rendered by the national postal administration; they encompass the pick-up, transport and delivery services of letters, newspapers, journals, periodicals, brochures, leaflets and similar printed matters, and of parcels and packages, post office counter services and others (such as mailbox rental services and "poste restante" services). Postal services are subject to international agreements and give rise to compensations between operators of different countries. They should, however, be recorded on a gross basis.

32. Courier services cover the same pick-up, transport and delivery service as those performed by the national postal administration, but are provided by other operators by using either self-owned or public transport media.

33. Telecommunications services cover the transmission of sound, images and other information via cables, broadcasting, relay or satellite. They include public telephone services, business network services, data and message transmission services, programme transmission services, interconnection services, integrated telecommunication services, paging and teleconferencing services, radio and television cable services, and telecommunications-related services (such as equipment rental and sale, connection and consulting services, communications equipment maintenance services) and others. They include the leasing of lines which should not be recorded under "rental services"

34. At this stage, no breakdown of item 3.2 "Telecommunications services" is proposed, because so far no agreement on analytical needs has been achieved. An important factor to be taken into account will be the outcome of the Uruguay Round of Multilateral Trade Negotiations. For the discussion of a possible breakdown, the classification list elaborated by the GATT Secretariat for the Group of Negotiations on Services (5) is of relevance; it breaks total telecommunication services into:

- a. Voice telephone services
- b. Packet-switched data transmission services
- c. Circuit-switched data transmission services
- d. Telex services
- e. Telegraph services
- f. Facsimile services
- g. Private leased circuit services
- e. Electronic mail
- f. Facsimile services
- g. Private leased circuit services
- h. Electronic mail
- i. Voice mail
- j. On-line information and data base retrieval
- k. Electronic data interchange (EDI)
- l. Enhanced/value-added facsimile services, incl. store and forward, store and retrieve
- m. Code and protocol conversion
- n. On-line information and/or data processing (incl. transaction processing)
- o. Other.

excluding them. Construction should be split between "Construction abroad" and "Construction in the reporting country", with information on a gross basis.

## 5. Insurance services

41. This category covers insurance underwriting service involving long- or short-term risk spreading with or without a saving element. It corresponds to the sum of two CPC Groups: "Insurance (including reinsurance) and pension fund services, except compulsory social security services" (812) and "Services auxiliary to insurance and pension funding" (814). It excludes social contributions and benefits under a social security scheme.

42. The proposed breakdown groups total reinsurance in one sub-item, because it cannot be broken down by individual risks. Three categories of direct insurance and auxiliary services are shown separately:

- i) Life insurance and pension funding (CPC Class 8121) cover insurance underwriting services consisting in making payments upon the death of the policy holder, or at the end of an agreed term, with or without a profit element and in providing incomes (annuities) upon retirement: pension fund management services are included.
- ii) Freight insurance relates to movable goods during the course of shipment, i.e. goods exported and imported; it corresponds to CPC Class 81294 (Freight insurance services) and the part of Class 81293 (Marine, aviation and other transport services) that relates to cargo (excluding transport equipment).
- iii) Other direct insurance includes accident and health insurance; fire and other property damage, transport equipment damage, pecuniary loss insurance, general liability insurance, etc.

43. For the calculation of insurance services, it is proposed to adopt the method elaborated by the IMF (4). It distinguishes between insurance for exports of goods, for imports of goods and for all other types of direct insurance (including life insurance and pension funds), and for reinsurance. For the exports of goods, it proposes to calculate the service charge for resident issuers (credit) as the difference between premiums earned and claims payable on goods lost or destroyed in transit. For imports, the service charge for non-resident issuers (debit) should be derived by applying the ratio of estimated service charges to gross premiums for exports of insurance services to gross premiums paid to non-resident issuers. In respect of other types of insurance, the ratio of estimated service charges to gross premiums for resident insurance enterprises, or the ratio of administrative costs to contributions received by resident pension funds, should be applied to the international flows of premiums paid by residents to non-resident insurers and to contributions paid by residents to non-resident pension funds. For reinsurance, net service charges are equal to net premiums received (paid), less losses paid (recovered) to (from) non-resident ceding companies.

44. Net premiums (equal to gross premiums minus the service charge) and claims should be recorded under transfers.

a) Financial intermediation services covering:

- i) Services of monetary intermediaries related to obtaining funds in the form of deposits, provided by central banks, wholesale and other banks and non-banks.
- ii) Financial leasing services related to leasing where the term approximately covers the expected life of the asset and the lessee acquires substantially all the benefits of its use and takes all the risks associated with its ownership.
- iii) Other credit granting services, such as mortgage loan services, personal instalment loan services and credit card services.
- iv) Other financial intermediation services primarily concerned with distributing funds other than by making loans: closed-end investment trust services, property unit trust services, open-ended investment and other unit trust service, services of financial holding companies and own-account dealing services by security dealers.

b) Auxiliary financial services covering:

- i) Services related to the administration of financial markets: financial market operational services, financial market regulatory services and others (such as security custody services and financial reporting services)
- ii) Services related to security markets: security broking services, security issue and registration services, portfolio management services and others (such as stock quotations and information dissemination services).
- iii) Other services, such as loan broking services, financial consultancy services, foreign exchange services, coin and currency packaging services.

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". It is broken into two items: "Computer services" and "Information services".

a) Computer services

50. This items covers:

- i) Hardware consultancy services related to consultancy on type and configuration of hardware with or without associated software application.

containers and oil-rigs. Excluded is the leasing of lines to be included under telecommunications.

55. Research and development services relate to basic research, applied research and experimental development of new products and processes; the basic criterion is the presence of an appreciable element of novelty. In principle, all areas of research and development should be included: physics, chemistry, biology, engineering, agriculture, medicine, social and economic sciences, linguistics, interdisciplinary research and humanities. The development of new materials (including computer components) is included. Included is the development of operating systems which represent scientific or technological advances.

56. 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. Representation on behalf of clients before tax authorities is included.

57. 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 on accounting.

58. 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 public image of the enterprise, but excluding advertising), planning, organisation, efficiency control, management information, arbitration in disputes between employers and employees, etc.

59. 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.

60. 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.



and similar attractions, libraries, archives, museums, and other cultural services, sporting and other recreational services. This includes fees received by actors, producers, etc., of theatrical shows, musical shows, circus, sporting events, and distribution rights concerning these shows, for television and radio.

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

10. Government services, not included elsewhere

69. This category is residual. It covers all services produced by the general government (resident or non-resident) and expenditure on goods and services by embassies, consulates and military units. It includes:

- i) expenditure by embassies, consulates and military units and agencies
- ii) paid services relating to general administration and defence.  
Services produced by public enterprises are recorded under other headings (e.g. communications)
- iii) all aid services, i.e. services not giving rise to payments with a counter-entry under unrequited transfers.

Appendix I

PROPOSED JOINT OECD-EUROSTAT CLASSIFICATION

CPC (1991)

- A. Merchandise other than Merchanting, Repairs, Processing and Procurement of Goods in Ports
  - 1. Exports (fob)
  - 2. Imports (fob)
- B. Other Merchandise Transactions
  - 1. Merchanting
    - a) Purchases
    - b) 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

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
  - 3.1.1 Postal service 751
  - 3.1.2 Courier services 7512

- 3.2 Telecommunication services 752

4. Construction work

51

- 4.1 Construction work for buildings, carried out
  - abroad (gross) 512
  - in the reporting country (gross)
- 4.2 Construction work for civil engineering, carried out
  - abroad (gross) 513
  - in the reporting country (gross)
- 4.3 Installation and assembly work, carried out
  - abroad (gross) 514 + 516
  - in the reporting country (gross)
- 4.4 Other
  - abroad (gross) 511 + 515 + 517 + 518
  - in the reporting country (gross)

5. Insurance Services

812 + 814

- 5.1 Life insurance and pension funding 8121
- 5.2 Freight insurance 81293
- 5.3 Other insurance 8129-81293
- 5.4 Reinsurance
- 5.5 Auxiliary services 814

8.7	Other services	
8.7.1	Agricultural services	881 + 882
8.7.2	Mining services	883
8.7.3	Manufacturing services	884 + 885
8.7.4	Other	82 + 87-871

9. Other services provided by enterprises

9.1	Educational services	92
9.2	Health services	931 + 932
9.3	Motion pictures, radio and television services	961-9619
9.4	Other	96 -(961 -9619) -962 + 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 relating to general administration and defence	
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

## Appendix II

**IMF CLASSIFICATION: STANDARD COMPONENTS AND ADDITIONAL DETAILS\***  
(June 1991)

- A. GOODS
  - 1. Merchandise
  - 2. Goods for processing (involving substantial physical change of goods)
  - 3. Repairs of investment goods
  - 4. Procurement of goods in ports by carriers
- B. SERVICES
  - 1. Transportation
    - 1.1 Sea transport
      - 1.1.1 Passenger
      - 1.1.2 Freight
      - 1.1.3 Other
    - 1.2 Air transport
      - 1.2.1 Passenger
      - 1.2.2 Freight
      - 1.2.3 Other
    - 1.3 Other transport
      - 1.3.1 Passenger
      - 1.3.2 Freight
      - 1.3.3 Other
  - 2. Travel
    - 2.1 Business
    - 2.2 Personal
  - 3. Communications
  - 4. Construction services
  - 5. Insurance services
    - 5.1 Freight insurance
    - 5.2 Other insurance
  - 6. Financial services (other than insurance)
  - 7. Computer and information services
  - 8. Other business services
    - 8.1 Merchanting and other trade-related
    - 8.2 Leasing or rental without operators
    - 8.3 Research and development
    - 8.4 Legal, accounting, management consulting and public relations
    - 8.5 Advertising and market research
    - 8.6 Architectural, engineering, and other technical
    - 8.7 Agricultural, mining, and on-site processing services
    - 8.8 Other
  - 9. Other personal services
    - 9.1 Educational
    - 9.2 Health
    - 9.3 Other
  - 10. Government, n.i.e.

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\* Details needed to reconcile with the classifications used in the external accounts of the SNA.