

**Nineteenth Meeting of the
IMF Committee on Balance of Payments Statistics
Frankfurt, October 23-26, 2006**

Issues Arising from the Update of *Balance of Payments Manual*, Fifth Edition

**Prepared by the Statistics Department
International Monetary Fund**

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Comments received from:

Arkell (Services TF)
 Brown (ONS)
 Cave (OECD)
 Cornejo (BCC)
 Driscoll (ABS)
 Han (SAFE)
 Havinga (UN)
 Hussain (Eurostat)
 Jansen (UN)
 Ouyang (HKSD)
 Massieu (World Tourism Organisation)
 Maurer (World Trade Organisation)
 Mesny (BIS)
 Ridgeway (Canada)
 Sola (ECB)

As at October 16, 2006

1. Issues for Discussion

Chapter 3 Accounting Principles

(1) ***Application of market value***
 —issue raised by Chile

How to apply market valuation in the case of transactions in goods in which the contracts establish quotation periods often months after the goods have changed hands?

IMF comment: Currently, this issue is not mentioned specifically in the draft manual. However, situations similar to these are valuation of goods under consignment (paragraph 9.26) and valuation of goods with late rebates (such mail-in rebate) (paragraph 3.69).

Question for the Committee: What are the practices followed by the parties to transactions? How should the market value be defined for such transactions?

(2) ***Timing: Progressive change of ownership***
 —issue raised by Australia

How to deal with situation where ownership occurs over a period of time.

IMF comment: The progressive change of ownership (mostly related to construction services and production of capital equipment) will be described in the draft manual following the existing *SNA* guidelines (see *1993 SNA* paragraph 10.74).

Question for the Committee: Does the Committee agree with this approach?

Chapter 4 Economic Territory, Units, Institutional Sectors, and Residence

(3) *Definition of enterprise group*

—issue raised by Canada

An enterprise group consists of all the enterprises under the control or influence of the same owner. The Framework for Direct Investment Relationships can be used for determining which enterprises are under the control or influence of the same owner. There are two concepts of enterprise group:

- A transnational enterprise group consists of all the enterprises under the control or influence of the same owner.
- An economy-specific enterprise group consists of all the enterprises under the control or influence of the same owner and that are resident in the reporting economic territory.

(Draft manual, paragraph 4.53)

IMF comment: This definition seeks to integrate the definition of enterprise groups with the FDIR and be specific about the criteria.

European definition:

According to Council Regulation (EEC) No 696/93 on statistical units: “An enterprise group is an association of enterprises bounded together by legal and/or financial links. A group of enterprises can have more than one decision-making centre, especially for policy on production, sales and profits. It may centralise certain aspects of financial management and taxation.” There are two types of enterprise group:

- (a) an association of enterprises or establishments directly or indirectly minority-controlled by a parent. All the enterprises and their parent are located in the same country and represent one enterprise with consolidated accounts”
- (b) a group comprising parents and indirectly controlled by affiliates located in different countries or MNE.

(shortened from OECD, *Handbook on Economic Globalisation Indicators*)

Questions for the Committee:

Does the Committee think the draft manual text should refer to the Handbook on Economic Globalisation Indicators definition and note that it is different?

Or should the manual adopt the Handbook definition of enterprise group and note that it differs from the definition of DI?

(4) ***Terminology for sectors***

—issue raised in discussion with UNSD and commented on by Hong Kong and Canada

IMF comment: The term “banks” is used in *BPM5*. The revised *SNA* will use the term “Deposit-taking corporations other than central bank” (see paragraph 4.64 of the draft Manual; and BOPCOM-06/22B; possibly not yet finalized by AEG/ISWGNA). The proposed *SNA* term is more technically correct in that some institutions not normally labeled as banks are included and would be consistent with monetary statistics. However, the *BPM5* term is much shorter.

Question for the Committee: Which term do Committee members prefer?

Chapter 5 Financial Instruments and Functional Categories

(5) ***Unallocated accounts other than gold***

—issue raised by Hong Kong and Canada

Unallocated gold and other metal accounts are classified as deposits (Draft manual paragraph 5.26).

IMF Comment: AEG took no decision on *unallocated accounts in other commodities*, such as oil, as no such case was identified. However, the principle that these are financial assets, specifically deposits, seems applicable more generally, so we propose to be forward-looking and apply the principle to unallocated accounts of all kinds.

Question for the Committee: Should unallocated accounts in commodities other than metals be treated in the same way as for metals?

(6) ***Unallocated accounts and currency of denomination***

—issue raised by Canada

The AEG’s outcome is (i) to classify unallocated gold accounts and other unallocated metal accounts as financial assets/liabilities; (ii) not to classify other forms of unallocated commodity accounts, if such exist, as financial assets/liabilities; and (iii) if any accounts are classified as financial assets/liabilities, to classify them as deposits (as foreign currency deposits without a need of any specific deposit class)

The draft manual classifies (paragraph 3.96) unallocated gold accounts as denominated in foreign currency, based on gold as being currency-like. In contrast, other unallocated metal accounts are classified according to the currency in which the account is denominated, similar to index-linked instruments, because these are less currency-like than gold.

Question for the Committee: Is this treatment (unallocated gold accounts as foreign currency denominated and other unallocated accounts according to the currency in which they are denominated) suitable?

(7) ***Ownership of land and time shares where equity share is less than 10 percent***
—issues raised by Australia and Hong Kong

IMF comment: The draft manual proposes that the influence and control criteria be applied in the normal way. Hong Kong raises the issue of the application of this principle to time shares. Different answers could be obtained according to whether the time share was regarded as an interest in the whole development, a particular part of it, or a particular part of it for a particular time. This issue is covered in another Committee paper (BOPCOM/06-33) to be dealt with later. Australia suggests that there should be a notional resident unit for each nonresident equity position rather than one unit per parcel of land, and so the 10 percent definition would be met, by definition.

Question for the Committee: What treatment should be adopted for identification of interests in land and time shares as direct investment?

(8) ***Payments associated with derivatives***
—issue raised in the draft manual and commented on by Australia

Under a swap, the obligations of each party may arise at different times, for example, an interest rate swap where one payment is quarterly and the other is annual. In such cases, the quarterly amount payable by one party prior to payment by the annual amount payable by the other party is classified as part of the financial derivative contract. However, it also has some loan-like aspects—would it be preferable to classify it as a loan or derivative?

(Draft manual, paragraph 5.65)

IMF comment: While there are arguments for both alternatives, we propose as a matter of practicality that they be classified as financial derivatives.

Question for the Committee: Should these amounts be classified as financial derivatives?

(9) ***Other equity in the functional classification***

—issue raised by Australia and Chile

The classification of “other equity” (i.e., equity not in the form of securities), such as in partnerships or notional units that were not direct investment, was not dealt with in *BPM5*. While excluded from portfolio investment as not being in the form of securities, there was no appropriate category for it under “other investment.” In its 2004 meeting, the Committee decided to limit portfolio investment to securities. This decision was implemented in the draft manual (paragraph 5.136) by adding “other equity” as a specific component of other investment. However, there may be some concern that this decision has necessitated an additional item that is almost always very minor. Another way of expressing this issue is to ask whether other equity should be included in portfolio investment (as the residual category for equity) or in other investment (as the residual category for everything).

Question for the Committee: Should other equity be included in portfolio investment, in other investment under its own heading, or in other investment under some other heading?

Chapter 8: Other Changes in Financial Assets and Liabilities

(10) ***Write-off and write-downs***

—issue raised by Australia

Although the BOP Committee nominated the treatment of write-offs and write-downs as an issue to the AEG, it was not taken up. *BPM5* treated write-downs as revaluations and write-offs as other changes in volume. However, there was concern that unilateral write-downs and write-offs by the creditor are very similar, and so did not justify such a distinction or any additional data collection to separate the two effects. Accordingly, paragraph 8.19 of the draft manual suggested that write-downs were partial write-offs and that they should be treated in the same way.

ABS Comments: The drafting on debt cancellation and debt reorganization is likely to give rise to asymmetries across countries. We think it should be made clear that the only case where a claim should be written off by the creditor is when the debtor has either disappeared [through bankruptcy] or recorded the same amount. Secondly, the principle that a renegotiation is recorded as a transaction while a unilateral [mainly in case of bankruptcy] event is recorded as other changes should be followed more strictly. A clear convention may be needed for the case when the loan contract foresees changes in the loan in case of arrears.

Question for the Committee: Does the Committee wish to provide additional guidance on these issues?

Chapter 9 Goods and Services

(11) *Merchanting/nonmonetary gold*

—issue raised by Canada and in the general sense of using FOB, by Australia

The draft manual suggests that goods under merchanting (paragraph 9.40) and nonmonetary gold (paragraph 9.43) be valued at transaction prices, rather than FOB prices. This proposal is made to simplify data collection to observed values and to minimize adjustments, and because the usual principle of consistency with counterpart valuation is not so applicable to merchanting, which does not have a counterpart.

Questions for the Committee:

Should these items be valued at FOB, transaction prices, or some other basis?

Is the merchant's margin recorded correctly in the economy of the final purchaser?

(12) *Education and health*

—issue raised by China, UK, OECD, Eurostat, UNSD and WTO

There is a proposal in the draft manual to include education fees payable by foreign students in education services. Similarly, health costs incurred by patients would be included in health services. Both these items were previously included in travel. However, other expenses, such as accommodation and food, would be included in travel (See paragraph 9.83). The proposal was made by the Task Force on International Trade in Services.

Question for the Committee: Do Committee members agree with the proposal?

(13) *Additional detail for other business services*

—issue raised by OECD, Eurostat and UNSD

§ j. Other business services, p. 186 ff

Given the fact that:

- the size of the category "Other business services" is very big, its share in EU trade in services is about 25%, users want to know more details,
- within this category the "miscellaneous business, professional, and technical services" is the biggest one,
- within "miscellaneous business, professional, and technical services" there is another sub-item called "other business services",

- in general this category is very heterogeneous,
- above mentioned 4 arguments make a meaningful economic analysis very cumbersome
- moreover, there is an increasing demand for more information on research and development,

Eurostat and the Task Force on Statistics of International Trade in Services (TF SITS) propose to split the category "Other business services" and replace it by three BOP/EBOPS categories: "Research and Development Services", "Professional and management consulting services" and "Technical, trade related and other services". For details see below:

Research and Development Services

Professional and management consulting services

Legal, accounting, management consulting, and public relations

Legal services

Accounting, auditing, bookkeeping, and tax consulting services

Business and management consulting and public relations services

Advertising, market research, and public opinion polling

Technical, trade related and other business services

Architectural, engineering, scientific and other technical services

Waste treatment and de-pollution, agricultural and mining services

Waste treatment and de-pollution

Services incidental to agricultural and mining + veterinary services

Operational leasing services

Trade-related services – wholesale on fee or contract basis

Other business services, n.i.e.

Eurostat and the Task Force believe that this new classification will give a better picture and allow a more qualified interpretation and economic analysis of trade in services.

Question for the Committee: Do Committee members agree to replace other business services by these three additional standard items?

- (14) ***Durable goods in travel or goods***
—issue raised by Eurostat and UNSD

Travel includes acquisition of valuables, consumer durables, and other consumer purchases made, including those in excess of customs thresholds, provided that they are for own use or to give away. This treatment differs from *International Merchandise Trade Statistics, Concepts and Definitions* paragraphs 25 and 48 which include goods acquired by travelers if their amount exceeds those established by national law. As noted in paragraph 9.20(a) above, international merchandise trade statistics need to be adjusted accordingly for international accounts to avoid double-counting.

(Draft manual, paragraph 9.76)

Question for the Committee: Do Committee members prefer to include durable goods acquired by visitors under goods or travel?

- (15) ***Non-customized software delivered electronically***
—issue raised by UK, OECD and UNSD

See Appendix prepared by OECD Statistics Directorate (in consultation with WTO).

Question for the Committee: Do Committee members wish to classify non-customized software delivered electronically as goods or services?

- (16) ***Re-imports***
—issue raised by UNSD

Re-imports is defined as “re-imports of domestic goods” (IMTS, Rev.2 para. 74-75, page 10). Re-imports can be important for transactions involving leasing of large or otherwise expensive equipment and return of goods of which ownership has changed.

Question for the Committee: Should re-imports be treated symmetrically to re-exports, as an “of which” item in Table 9.1?

- (17) ***Table 9.2***
—issue raised by UNSD and WTO

Question for the Committee: Please specify how this table could be made more useful, such as by summarizing the differences in concepts between general merchandise and international merchandise trade statistics?

Chapter 10 Primary Distribution of Income Account

- (18) ***Exceptional payments by public corporations to government***
—comments by Canada

Paragraph 10.26 raise an issue related to an AEG recommendation that exceptional payments by public corporations to government funded from accumulated reserves or sales of assets be treated as withdrawal of equity. This has implication for BOP as well although such cross-border cases may be very limited. It also raises the question on whether the same treatment should apply to private corporations?

Questions for the Committee:

Do the Committee members agree with the treatment of exceptional payments by public corporations to government?

Should the same treatment be applied to exceptional payments by private corporations to their owners?

How should the exceptional payments be defined/determined?

- (19) ***Presentation of Table 10.2***
—issue raised by Canada and indirectly by Australia

IMF comment: Reflecting the draft revised presentation of financial instruments in the SNA, investment funds and other equity are shown separately as subheadings. However, Table 10.2 is providing an expository presentation of direct investment income. Countries may wish to use the expository tables if they find them of analytical use, but these are more detailed than the standard components.

Other

- (20) ***Net errors and omissions***—what should be said
—issue raised by Hong Kong and BIS, commented on by the U.K.

As noted in the *Annotated Outline*, this issue will be dealt with in Chapter 2:

Annotated Outline (paragraph 2.15): This section will recommend that a net errors and omissions item be shown explicitly. Alternatives include placing net errors and omissions at the end of the financial account (to stress that the item has not been observed but derived residually), between the capital account and the financial account (to make it more evident that errors may occur in any part of the balance of payments and that it is equal to the difference between sum of the current and capital accounts and the financial account), or before the presentation of reserve assets in the financial account (as in the “analytic” presentation).

AO para. 2.15 Should a particular place for net errors and omissions be specified? If so, which location is preferred?

Results of electronic consultation (2005): Eleven Committee members supported specifying a particular place, for international standardization. One member considered it should not be covered in the manual as it was a compilation issue, rather than a conceptual issue. Nine members supported putting it at the end of the financial account, with the most common reasons that this was a neutral location and emphasized that it was a residual. Two members supported putting it between the capital and financial accounts, with the reason given to show that the transactions above and below the line should be in balance. One of the nine members noted that it should be made clear to the user that the residual item is not a meaningful economic aggregate (contrary to, for example, ‘balancing items’) while another wished to emphasize that its possible useful information.

Question: Do Committee members have any additional views on net errors and omissions?

General

- (21) ***Detailed relationship with IAS and SNA***
—issues raised by China and Hong Kong, respectively

IMF comment: harmonization with the *SNA* has been emphasized in the substance of the manual, style of drafting, and in organization of the parallel update processes. IAS issues can be covered more fully in a future edition of the *Compilation Guide*. A possible model is “Reconciliation Between the Guide’s Methodology and National and Commercial Accounting” (Appendix IV of *Financial Soundness Indicators*).

2. Other Issues Already Subject to Conclusion by Committee or AEG

Depository receipts—issue raised by Australia (too late to raise with AEG)

Nominal valuation of loan positions—issue raised by Australia (BOPCOM-04/19A)

FDI flows for enterprise identified when preliminary expenses are incurred, paragraph 4.47 (issue raised by China and dealt with in BOPCOM-01/20B)

3. Other Issues That Can Be Discussed If Committee Members Wish, Otherwise To Be Considered In The Drafting Phase

Chapter 4

Clarification of the treatment of supervisory/regulatory agencies, paragraph 4.75 (China). See BOPCOM/06-22C

Classification of highly mobile individuals, paragraph 4.93 (UK)

Chapter 5

Need for a clear dividing line between operational and financial leasing, paragraph 5.39 (OECD) See BOPCOM/06-19

Establishing direct investment relationships, paragraph 5.110 (Australia) to be discussed under direct investment)

Reserve related liabilities, paragraph 5.184 and other reserve issues (Hong Kong) covered in separate papers.

Chapter 7

Counterpart entries when goods and services are supplied to affiliated enterprises, paragraph 7.17 (Canada)

Chapter 9

Need for a clear definition of re-exports, table 9.1 (UNSD)

Comments on the proposed treatment of downloaded online content products

Note prepared by OECD Statistics Directorate (in consultation with WTO)

This note has been prepared to draw the attention of the IMF Balance of Payments Committee to what is regarded as important difficulties related to the proposed treatment of downloaded online content products in BPM6.

In Chapter 9 of the draft of a revised BPM5 in paragraph 9.15c there is a proposal for the treatment as '**general merchandise**' of standard application software, video and audio recordings that are generally available and delivered electronically (online). *General merchandise* is the BOP item that includes (customs based) merchandise trade statistics adjusted to BOP concepts. The paragraph explains that where downloaded products are similar to products on devices such as CD/DVD, they should be classified together.

It states that: "packaged software...video and audio recordings that are generally available (that are not customized), whether delivered on devices or electronically, are to be included in *general merchandise*...".

This proposition was broadly signaled, in the earlier Annotated Outline of a revised BPM 5 paragraph 9.13 particular issue (ee).

It is our contention that for a variety of reasons this increasingly important issue has not been fully considered in the BPM5 revision process by the various players, as it was regarded as not clearly a merchandise trade issue or a trade in services issue and capitalisation of software had been 'treated' in SNA 1993 but without elaboration. Further the reference product classification CPC version 2 has only very recently been finalised in 2006 and there is as yet very little measurement experience regarding identifying international trade in downloaded products to inform the debate.

There are a number of problems foreseen in the IMF proposal and there are some related issues considered below:

The proposed treatment of electronic delivery is at variance with the revised CPC version 2. CPC version 2, agreed by UN Statistical Commission in 2006, has elaborated a range of "online content" products and includes them in a category 843 close to telecommunications and internet service provision (- see Annex 1). CPC reserves the "goods" section for transportable goods as defined in the World Customs Organisation "Harmonised System". The new CPC also elaborates a number of "originals" for software, R&D, creative originals, etc which are placed with the services that produce them.

The proposed BPM6 treatment is at variance with the International Merchandise Trade Statistics (IMTS) Compilers Manual. The IMTS Compilers Manual, states in paragraph 125: Electronic transmission of *any* information (e.g., software, blueprints, books, music, engineering plans, etc.) from one country to another is outside the scope of trade statistics as it is generally considered as a service rather than a good. (see also attached IMTS excerpt in Annex 2)

The ‘general merchandise’ item in BOP is huge and not disaggregated at all, as it is assumed that detail will be available from the customs based HS trade data. Electronic delivery of Online content has no HS code. It cannot be included in customs based data, so would be effectively undefined and unidentified in this very large category. Any identification would be left to individual countries in any way they chose.

Little or no guidance has previously been available on classification of “online content” in the Balance of payments, or the Trade in services Manuals nor is there any consensus amongst trade negotiators about how to treat them.

If non-HS products are to be included in *general merchandise*, then there is a need for BOP to develop the classification of trade in goods to provide some information on the trade in these non-HS products.

Coincidentally HS 2007 becomes even less helpful than HS 2002 in identifying “information content” products (see Annex 3), as the distinction between recorded and unrecorded media disappears. Although the World Customs Organisation was informed by the IMTS Task Force that more detail in some HS2007 subheadings would be desirable to better align with the CPC Version 2. This may reduce the future information on trade in computer software physically delivered.

Downloads of online content are believed to be growing rapidly for both domestic and international transactions. Data are scarce and there are measurement problems related to traffic and transactors. The most likely sources of information are enterprise surveys and household surveys (related to trade in services or ICT).

There is a particular SNA and ICT policy interest in measuring production, trade and expenditure on computer software. For these purposes it would be desirable to see an overall trade figure for computer software, which would transcend the goods/services division of trade. But it also requires that the components of the total are sufficiently well identified in BOP.

An OECD-Eurostat Task Force on Software Measurement in the National Accounts concluded that: “Current international trade and balance of payments classifications and statistics were not as helpful as they could be in identifying international trade in computer software. That is why the online sale/purchase and delivery of software to/from other countries need to be further investigated, probably through Internet use and e-commerce

surveys” (Source: Report of The OECD Task Force on Software Measurement in The National Accounts, STD/NA (2002)2, page 42).

OECD is planning to develop a manual in 2007 for the treatment of R&D and Software in the National Accounts including the trade aspect. The danger is that the current BPM proposals could affect adversely in future the basic international availability of data for trade in software ‘goods’ and undermine this work.

Suggested solutions for BPM6 include:

Preferred option:

A) It is desirable to make clear links to CPC version 2 as the reference product classification. Recognise the practical measurement issues and include these products with services trade, while recognising that these products have some characteristics of goods.

In particular, given the need for a computer software aggregate and an interest in audiovisual aggregates, to associate each type of download (text, audio, video or software etc) with the service that produces them:

- i) downloaded computer software (standard or customised) with *computer services*,
- ii) audio and video downloads in *personal, cultural and recreational services*,
- iii) using *information services* as a residual for other downloads that cannot be allocated elsewhere. Clear links could then be made to CPC version 2.

Possible alternative:

B) If the proposed treatment of electronic delivery of standard products with goods is indeed confirmed by BOPCOM, then to introduce some line item breakdown of general merchandise within the BOP goods classification. Separate out the standard downloads from the customised, interactive or service type downloads, which may be difficult, and include the former in goods, inside or outside *general merchandise*, but with memorandum items:

- i) *Computer software (standard system and application software) electronically delivered.*
- ii) *Standard video and audio products electronically delivered.*

Partial links could be made to CPC version 2.

Suggested additional actions:

Consider even at this late stage, the introduction of an alternate aggregation in BPM6 “Trade in computer software” as a memorandum or supplementary item with identified components including software goods, software services, and software royalties. This should be in line with SNA treatment of transactions in software licenses.

To undertake a special consultation with SNA community, Classifications, Trade and ICT as well as BOP statisticians regarding the proposals on computer software trade data and treatment of downloads.

Annex 1

CPC version 2 Section 843 Online Content

			CPC	
v1.1 ISIC 4				
843	On-line content			
8431	On-line text based information			
	84311	On-line books	84300*	5811
	84312	On-line newspapers and periodicals	84300*	5813
8432	On-line audio content			
	84321	Musical audio downloads	-	x5920
	84322	Streaming audio content	84300*	x6311
8433	On-line video content			
	84331	Films and other video downloads	-	x5911
	84332	Streaming video content	84300*	x6311
8434	Software downloads			
	84341	System software downloads	-	x5820
	84342	Application software downloads	-	x5820
8439	Other on-line content and interactive software			
	84391	On-line games	-	5820
	84392	On-line software	-	5820
	84393	On-line adult content	-	x5819
	84394	Web search portal content	-	6312
	84399	Other on-line content	-	x5819
844	News agency services			
8441	84410	News agency services to newspapers and periodicals	84410	6321
8442	84420	News agency services to audio-visual media	84420	6321

Annex 2

Extract From IMTS Manual:

118. *Goods used as carriers of information and software* (IMTS, Rev.2, paras. 27 and 123(b)). The term "general or commercial use" covers products publicly available to any user. These products are to be treated as commodities and their statistical value should be based on their full actual price, including cost of materials and software. Compilers should check with the customs about whether goods declarations lodged in the case of movements of such goods meet statistical requirements. IMTS, Rev. 2 excludes from trade statistics (a) diskettes or CD-ROMs with stored computer software and/or data, developed to order, (b) audio- and videotapes containing original recordings (i.e., master copies), and (c) customized blueprints. (These are treated as part of trade in services.)

1 *Goods used as carriers of information and software.*¹³ This category includes, for example, (a) packaged sets containing diskettes or CD-ROMs with stored computer software and/or data developed for general or commercial use (not to order), with or without a users' manual, and (b) audio- and videotapes recorded for general or commercial purposes (see para. 123 below for recommendation on valuation). However, (i) diskettes or CD-ROMs with stored computer software and/or data, developed to order, (ii) audio- and videotapes containing original recordings, and (iii) customized blueprints etc. are to be excluded from international merchandise trade statistics (see para. 48 below).

2. There are international transactions which present special difficulties or questions regarding valuation of the goods involved. Some of the difficulties are due to the complexity of the transaction or the peculiarity of the goods. In other cases, the transactions may not require goods valuation by the involved parties and are not accompanied by the movement of currency or credit. In particular, some questions of valuation arise in relation to some of the goods specified in chapter I.B.1 and I.B.3 above. The valuation of all goods should be made in accordance with the WTO Agreement on Valuation and the recommendations contained in the present publication (see paras. 116 and 121 above). In addition, **it is recommended** that:

(a) Unissued banknotes and securities and coins not in circulation be valued at the transaction value of the printed paper or stamped metal rather than at their face value (see para. 20 above);

(b) Goods used as carriers of information and software, such as packaged sets containing diskettes or CD-ROMs with stored computer software and/or data developed for general or commercial use (not to order), be valued at the their full transaction value (not at the value of the empty diskettes or CD-ROMs, paper or other materials (see para. 27 above));

.....

124. *Goods in electronic commerce.* For the purposes of this Manual the term "goods in electronic commerce" refers to goods which physically move across country borders as the result of transactions executed entirely, or to a significant extent, by electronic means (e.g., goods ordered and paid for via the Internet). **It is advised** that the value of such goods be included in/excluded from trade statistics in the same way as any other goods purchased by non-electronic means, following the relevant IMTS, Rev.2 recommendations. Compilers

¹³ HS heading 85.24.

are advised to record such goods when they exceed statistical thresholds. In practice, goods bought electronically and shipped to the buyer via parcel post or courier service may, to a large extent, be less than the statistical threshold in value or quantity and thereby be excluded from trade statistics. **It is advised** that when, in the view of the statistical authority the total value of such excluded goods becomes statistically significant, an appropriate estimate be made and added to totals of exports and imports and as far as possible to commodity and partner details.

125. Electronic transmission of *any* information (e.g., software, blueprints, books, music, engineering plans, etc.) from one country to another is outside the scope of trade statistics as it is generally considered as a service rather than a good.

Annex 3

List of CPC Ver. 2 codes for software and correspondances to HS 2007, ISIC Rev. 4 and CPC Ver. 1.1 classifications standards

CPC Ver. 2			Correspondences			
Group	Class	Subclass	Description	HS 2007	ISIC Rev.4	CPC Ver.1.1
478			Packaged software			
	4781		Systems software, packaged			
		47811	Operating systems, packaged	8523.29*, 40*	5820	47520*
		47812	Network software, packaged	8523.29*, 40*	5820	47520*
		47813	Database management software, packaged	8523.29*, 40*	5820	47520*
		47814	Development tools and programming languages software, packaged	8523.29*, 40*	5820	47520*
	4782		Application software, packaged			
		47821	General business productivity and home use applications, packaged	8523.29*, 40*	5820	47520*
		47822	Computer game software, packaged	8523.29*, 40*	5820	47520*
		47829	Other application software, packaged	8523.29*, 40*	5820	47520*
		83143	Software originals		5820	-
	8434		Software downloads		5820	-
		84341	System software downloads			
		84342	Application software downloads			
		84392	On-line software		6311	84300*

List of CPC Ver. 2 codes for On-line content and correspondances to HS 2007, ISIC Rev. 4 and CPC Ver. 1.1 classifications standards

CPC Ver. 2			Correspondences			
Group	Class	Subclass	Description	HS 2007	ISIC Rev.4	CPC Ver.1.1
843			On-line content			
	8431		On-line text based information			
		84311	On-line books	-	5811	84300*
		84312	On-line newspapers and periodicals	-	5813	84300*
	8432		On-line audio content			
		84321	Musical audio downloads	-	5920	-
		84322	Streaming audio content	-	6311	84300*
	8433		On-line video content			
		84331	Films and other video downloads	-	5911	-
		84332	Streaming video content	-	6311	84300*
	8434		Software downloads			
		84341	System software downloads		5820	-
		84342	Application software downloads		5820	-
	8439		Other on-line content and interactive software			
		84391	On-line games	-	6311	84300*
		84392	On-line software	-	6311	84300*
		84393	On-line adult content	-	6311	84300*
		84394	Web search portals	-	6312	84300*
		84399	Other on-line content	-	5819	84300*

* partly

List of CPC Ver. 2 codes for non-recorded and recorded media and correspondances to HS 2007, ISIC Rev. 4 classifications standards

CPC Ver. 2			Correspondences			
Group	Class	Subclass	Description	HS 2007	ISIC Rev.4	CPC Ver.1.1
475			Disks, tapes, solid-state non-volatile storage devices and other media, not recorded			
		47530	Magnetic media, not recorded, except cards with a magnetic stripe	8523.29*	2680	47510*
		47540	Optical media, not recorded	8523.40*	2680	47510*
		47550	Solid-state non-volatile storage devices	8523.51	2620	47510*
		47590	Other recording media, including matrices and masters for the production of disks	8523.59, .80*	3290	47510*
476			Audio and video disks, tapes and other media, recorded			
	4761	47610	Musical audio disks, tapes or other physical media	8523.29*, 40*, .80	5920	47520*
	4762	47620	Films and other video content on disks, tape or other physical media	8523.29*, 40*	5911	47520*
	4769		Other recorded disks, tapes or other physical media			
		47691	Audio books on disk, tape or other physical media	8523.29*, 40*	5811	47520*
		47692	Text-based disks, tapes or other physical media	8523.29*, 40*	5811	47520*
		47699	Other non-musical audio disks and tapes	8523.29*, 40*	5920	47520*

List of goods in HS 2007 less or more related to package software and recorded and non-recorded media???

85.23	Discs, tapes, solid-state non-volatile storage devices, "smart cards" and other media for the recording of sound or of other phenomena, whether or not recorded, including matrices and masters for the production of discs, but excluding products of Chapter 37.	
	- Magnetic media :	
	8523.21	-- Cards incorporating a magnetic stripe
	8523.29	-- Other
	- Optical media	
	- Semiconductor media :	
	8523.51	-- Solid-state non-volatile storage devices
	8523.52	-- "Smart cards"
	8523.59	-- Other
	8523.80	- Other