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For discussion

***BPM7* Annex 5. Selected Issues on Cross-Border Trade: Annotated Outline**

BPM7 Annex 5. Selected Issues on Cross-Border Trade: Annotated Outline¹

(New BPM7 Annex)

I. Introduction

- This new annex will cover cross-cutting issues related to trade in goods and services that are outside the core balance of payments accounts but are relevant for compilers and users of the balance of payments. The topics covered will include classification (Section II), partner economy attribution (Section III), price and volume measures (Section IV), digital trade (Section V), and trade classified by currency (Section VI). See the Schematic Overview for details.

II. Classification

- This section will describe the different classification systems used for goods and services, and “products” more generally (e.g., by commodity or type of service, by industry, by broad economic category, by mode of transport, etc.) with appropriate references to the relevant manuals/standards, such as *International Merchandise Trade Statistics: Concepts and Definitions*, *Manual on Statistics of International Trade in Services*, the International Standard Industrial Classification of All Economic Activities (ISIC), etc.
- The information can also be summarized in a table. Bringing this information together into one place in the manual will help to inform how the BPM presentation of goods and services fits into the broader classification landscape. Compilers have competing priorities when it comes to presenting cross-border trade statistics by various characteristics, so it is useful to present the different possibilities and their potential uses. Compilers may consider which presentations to adopt based on resources and policy needs.

III. Partner Economy Attribution

- In the current standards, partner economy attribution is treated mostly as a compilation issue, and covered in the *BPM6 Compilation Guide*, primarily in Appendix 5. However, when it comes to complex issues like global production arrangements, there can be conceptual questions about how transactions should be allocated to partner country. Furthermore, statistics by partner economy can be important for understanding globalization.
- Recognizing this, a section will be introduced in this annex to describe partner economy attribution for trade in goods and services. Drawing from (and in some cases expanding on) what is included in the *Compilation Guide*, as well as the UNECE *Guide to Measuring Global Production*, it will address challenging issues such as merchanting and goods for processing (GN C.4 and G.7), noting where adjustments to bring source data that exhibits physical cross border flow of goods to a change of economic ownership basis may also require adjustments to the partner economy. Regarding services, it will address partner economy attribution related to intellectual property (GN G.5), including the attribution when the intellectual property product is owned by a Special Purpose Entity (GN G.4); transport; and other service categories.

¹ Prepared by Kristy Howell (BPM lead) and Brent Moulton and Marshall Reinsdorf (SNA leads) and cleared by BPM Project Managers

IV. Price and Volume Measures

- *BPM6* Chapter 10 has a single paragraph describing price and volume measures as “useful for analysis and data validation.” This discussion will be moved into this annex (since it relates to both goods and services) and references to SNA Chapter 15 (paragraphs. 15.160–166) will be added.

V. Digital Trade

- This section will address the need to better reflect the importance of digital trade in the BPM. *BPM6* does not introduce the concept of digital trade, but instead contains only one paragraph, 10.10, that defines “e-commerce” as “a method or ordering or delivering products at least partly by electronic means...” and explains that “charges for electronically delivered products are usually included in services, whereas products supplied across the border are usually classified as goods.” This section will expand that discussion to introduce the conceptual framework for digital trade from the *Handbook on Measuring Digital Trade* (currently being updated with an expected publication by the end of 2022). It will also include a reference to Digital Supply Use and Tables (to be described in the updated SNA), which use a consistent underlying framework centered around whether goods and services are digitally ordered and/or digitally delivered (GN DZ.5).
- Emerging issues for BPM goods and services, including digital intermediation platforms, cloud computing, and intellectual property products, including computer software and artificial intelligence will be discussed in Chapter 16, Digitalization.

VI. International Trade Classified by Currency²

- Following GN C.3, this section will introduce a supplemental presentation of international trade classified by currency. This information supports a variety of analytical and surveillance purposes, including external sector vulnerabilities, sustainability analysis, regional integration, exchange rate pass-through, foreign exchange market development, and reserves adequacy.
- The supplemental presentation, which will be presented in a table, will include a disaggregation of gross totals of imports and exports for both goods and services by the currency of denomination. The totals in the trade by currency composition table should equal the totals in the goods and services accounts, to ensure consistency. The currency breakdown will be first domestic and foreign currencies, with a further breakdown of the latter according to the SDR basket, and then other currencies (depending on the importance of non-SDR basket currencies to the international trade of each economy). An unallocated item can also be included to address currency allocation difficulties.

² All the recommendations on supplementary data collections discussed in this outline will be subject to the outcome of the Holistic Review of *BPM6* Update Priorities.

Schematic Overview

I	Introduction
II	Classification Table: Classifications for Trade Statistics
III	Partner economy attribution
IV	Price and volume measures
V	Digital trade Figure: Conceptual Framework for Digital Trade (from <i>Handbook on Measuring Digital Trade</i> , Figure 2.1)
VI	International trade classified by currency Table: Supplemental Presentation of International Trade by Currency

Question for the Committee

- 1) *Does the Committee support the addition of this new annex to address cross-cutting issues related to trade in goods and services?*
- 2) *Does the Committee have any suggestions on the draft outline of the annex?*
- 3) *Does the Committee agree with the proposed structure and coverage of topics in the annex presented in this outline?*

References

- GNs G.1, G.7, C.1–C.7, DZ.5, and DZ.7–DZ.9.
- *International Merchandise Trade Statistics: Concepts and Definitions (IMTS 2010)*
- *Manual on Statistics of International Trade in Services 2010 (MSITS 2010)*
- *Handbook on Measuring Digital Trade*
- *Export and Import Price Index Manual: Theory and Practice*
- *UNECE Guide to Measuring Global Production*

Key Stakeholders Consulted

- SNA and BPM Editors
- CATT Secretariat