



International Guidelines Are Being Revised: *Balance of Payments Accounts*

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What is the *BOP Manual*?

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- Principal international standard for compiling statistics on BOP transactions and international investment positions. Last major revision in 1993.
 - Issued by the IMF. Seeks consistency with other major standards, including *SNA and OECD Benchmark Definition of Direct Investment*.
 - Provides standards for concepts and classifications.



Revision Process

- In 2001, the IMF asked BOP Compilers whether to conduct a comprehensive revision of the standards; received a strong **Yes**.
- Many international groups are contributing to the process. BEA staff serve on most groups, often in leadership capacities.
- No restrictions on type or number of issues to be considered. However, a consensus between national and international account compilers on common issues should be attained.



Revision Activities

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- **Under general supervision of IMF**
 - **Major groups:**
 - **IMF Balance of Payments Committee**
 - **OECD Workshop on International Investment Statistics**
 - **IMF/OECD Direct Investment Technical Expert Group**
 - **IMF Currency Union Technical Expert Group**
 - **IMF BOP Technical Expert Group**
 - **Electronic discussion groups and meetings**
 - **Any new topics must be proposed very soon**



Proposals

- **Several dozen proposals have already been received, and every proposal has been assigned to an expert group for consideration.**
- **Within the next year, the expert groups will prepare an issue and outcome paper for every issue.**
 - **Issue papers will identify concerns about the current treatment and provide an alternative.**
 - **Outcome paper will state a recommended treatment, or will summarize diverse opinions among the experts.**



Issue: Valuing Positions

- How should loans be valued, esp. nonperforming loans: Nominal or market value?
 - Nominal value - data are easy to collect; promotes bilateral symmetry; no unintended financial market consequences.
 - Market value - consistent with valuation of most other assets/liabilities; better consistency with transactions data; more useful analytically. But hard to accurately measure.



Valuing Positions

- How should direct investment equity positions be measured - at book value or market value?
 - Book values promote bilateral symmetry; data relatively easy to collect.
 - Market values hard to accurately measure -- BEA uses 2 different methods. MV is consistent with valuation of most other assets/liabilities; better consistency with transactions data; more useful analytically.



For BOP purposes, who is a resident?

- What is the residency of individuals who work abroad for a year or more?
 - India software engineers who work in the United States under long-term visas - is the US purchasing services from India, or is this a domestic US payment?
- How should foreign students who reside in the U.S. for more than one year for study purposes be regarded?
 - Is their tuition a US export of education services, or an entirely domestic transaction?



More Information on the *BOP* Revision

- Ralph H. Kozlow, “Exploring the Borderline Between Direct Investment and Other Types of Investment: The U.S. Treatment”
- Ralph H. Kozlow, “Valuing the Direct Investment Position in U.S. Economic Accounts”
- Ralph H. Kozlow, “Investment Companies: What Are They, and Where Should They be Classified in the International Economic Accounts?”
- IMF Website: www.imf.org/external/np/sta/bop/bopman5.htm
- OECD Website:
<http://unstats.un.org/unsd/nationalaccount/advisory%20group.htm>



Questions for the Advisory Committee

- What issues should be considered during the updating process?
- What are your views on the issues discussed earlier...
 - How should cross-border claims and liabilities be measured in the absence of market prices?
 - For BOP purposes, who is a resident?