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

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What is the *BOP Manual*?

- 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

• 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?”
- OECD Website: [http://unstats.un.org/unsd/nationalaccount/advisory%20group.htm](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?