

# U.S. International Services

## Cross-Border Trade in 2010 and Services Supplied Through Affiliates in 2009

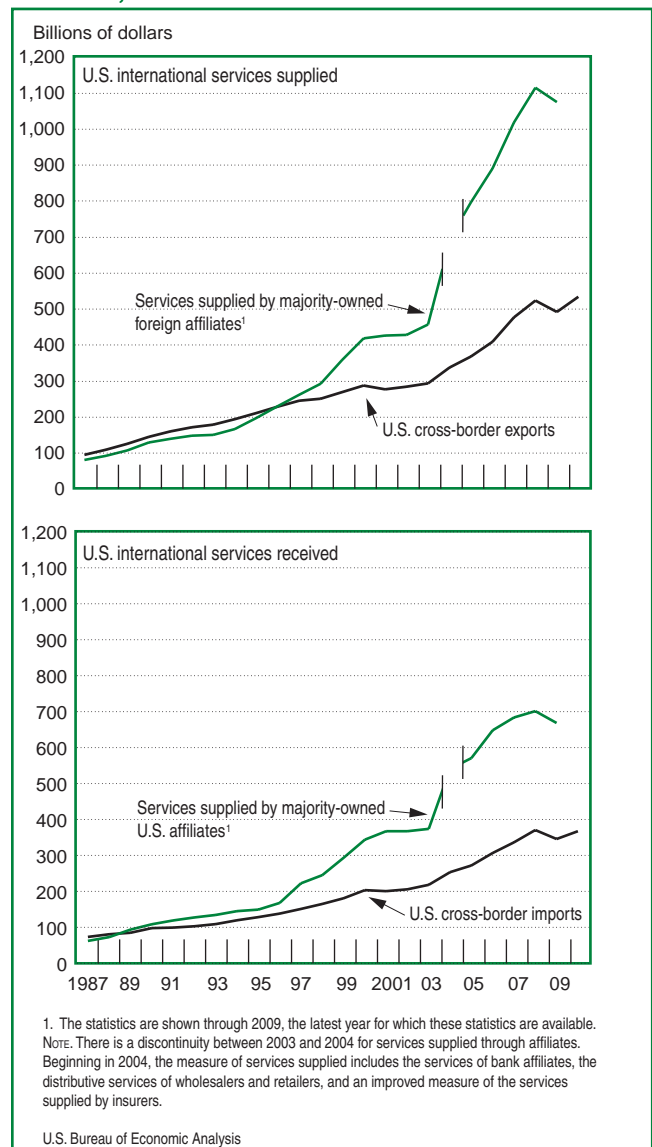
By Jennifer Koncz-Bruner and Anne Flatness

THIS article takes a broad perspective on services provided to and by the United States in international markets by presenting information on trade in the conventional sense—that is, services that cross borders and are included in the international transactions accounts as exports and imports—as well as on services supplied through the channel of direct investment by affiliates of multinational companies (MNCs). This approach recognizes the importance of proximity to customers in the delivery of services, which leads many MNCs to serve foreign markets, partly or wholly, through their affiliates that are located in, but owned outside of, the markets they serve. In 2009 (the latest year for which data on services supplied through affiliates are available), as in previous years, the majority of services both supplied and obtained by the United States internationally was through affiliates (table A and chart 1). (For additional information on the statistics presented in this article, see the box “Comparing Cross-Border Trade and Services Supplied Through Affiliates” on page 29.)

In 2010, U.S. exports of private services were \$530.3 billion, the highest level on record, and U.S. imports were \$368.0 billion, remaining below the record high of 2008. This resulted in a cross-border private services trade surplus of \$162.2 billion. In 2009, services supplied to foreign markets through U.S. multinational

companies’ foreign affiliates were \$1,076.4 billion and services supplied to the United States by foreign multinationals’ U.S. affiliates were \$668.8 billion; the difference between services supplied to and received from the United States via the channel of direct investment was \$407.6 billion.

**Chart 1. U.S. International Services Supplied and Received, 1987–2010**



**Table A. Services Supplied to Foreign and U.S. Markets Through Cross-Border Trade and Through Affiliates**

	To foreign markets		To U.S. market	
	Through cross-border trade (U.S. exports)	Through foreign affiliates of U.S. companies	Through cross-border trade (U.S. imports)	Through U.S. affiliates of foreign companies
Billions of dollars				
2008 .....	519.5	1,116.9	371.2	701.6
2009 .....	487.9	1,076.4	346.0	668.8
2010 .....	530.3	n.a.	368.0	n.a.
Percent change from the preceding year				
2008 .....	9.9	9.6	10.2	2.6
2009 .....	-6.1	-3.6	-6.8	-4.7
2010 .....	8.7	n.a.	6.4	n.a.

n.a. Not available  
 Note: Historical statistics for 1986 forward are available on the Web at [www.bea.gov/international/xls/tabA.xls](http://www.bea.gov/international/xls/tabA.xls).

1. The statistics are shown through 2009, the latest year for which these statistics are available. Note: There is a discontinuity between 2003 and 2004 for services supplied through affiliates. Beginning in 2004, the measure of services supplied includes the services of bank affiliates, the distributive services of wholesalers and retailers, and an improved measure of the services supplied by insurers.

### U.S. Cross-Border Trade in 2010

The \$162.2 billion cross-border services surplus in 2010 was 14 percent larger than the 2009 surplus, a sharp rebound from the 4 percent decline in 2009.<sup>1</sup> In contrast to the persistent U.S. deficit on trade in goods, which rose to \$645.9 billion in 2010, the United States has historically recorded a surplus on trade in services.

Cross-border exports of private services increased 9 percent, more than recovering from the 6 percent decline in 2009; imports increased at a slower rate, 6 percent (table B). The global economic downturn that began in 2007 eased in late 2009 and 2010. Real gross domestic product (GDP) for the United States and many of its major services trading partners resumed growth (chart 2), contributing to the increase in demand for U.S. services exports and imports. However, growth rates were generally slow; as a result, the growth of services exports and imports remained below the relatively high annual growth rates seen between 2003 and 2008 when growth averaged 13 percent for exports and 11 percent for imports. The depreciation of the dollar against the currencies of many major trading partners also likely contributed to the increase in exports (chart 3).

**Table B. Change From Preceding Year in Cross-Border Services**

	Exports		Imports	
	2009	2010	2009	2010
	Percent			
Private services .....	-6.1	8.7	-6.8	6.4
Travel .....	-14.7	9.9	-7.9	1.9
Passenger fares .....	-15.7	18.5	-21.1	8.5
Other transportation .....	-19.3	12.4	-24.9	20.2
Royalties and license fees .....	-4.8	8.6	0.8	12.1
Other private services <sup>1</sup> .....	1.2	6.6	1.0	3.6
	Billions of dollars			
Private services .....	-31.7	42.4	-25.2	22.0
Travel .....	-16.2	9.3	-6.4	1.4
Passenger fares .....	-4.9	4.8	-6.7	2.1
Other transportation .....	-8.5	4.4	-14.1	8.6
Royalties and license fees .....	-4.9	8.4	0.2	3.6
Other private services <sup>1</sup> .....	2.8	15.5	1.8	6.3

1. Other private services consists of education; financial services; insurance services; telecommunications; business, professional, and technical services; and other services.

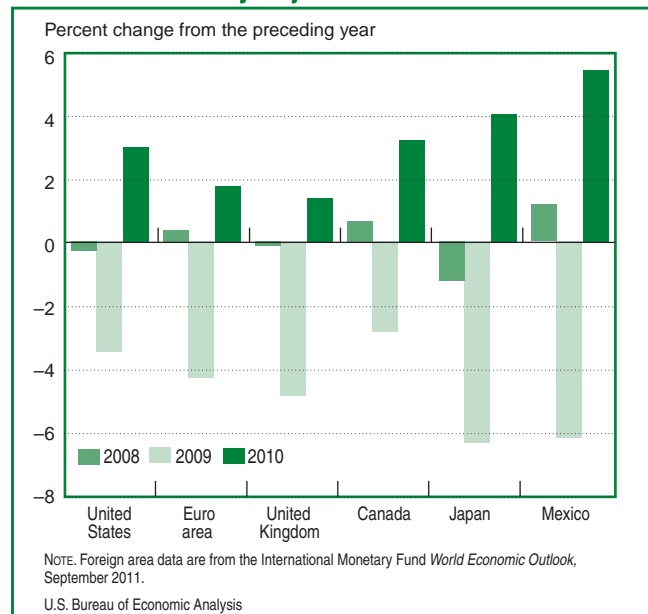
All major types of services contributed to the 2010 increase, although the relative strength of the growth varied by type of service and between exports and imports. For exports, all categories grew strongly, with particularly sharp growth in passenger fares and other transportation, partly reflecting increases in the price

1. Private services exclude services transactions by the U.S. government (including the military). See “Types of Cross-Border Services” for additional information. The statistics in this article are consistent with the less detailed quarterly statistics published in table 3 of the international transactions accounts. See [www.bea.gov/iTable/index\\_ita.cfm](http://www.bea.gov/iTable/index_ita.cfm).

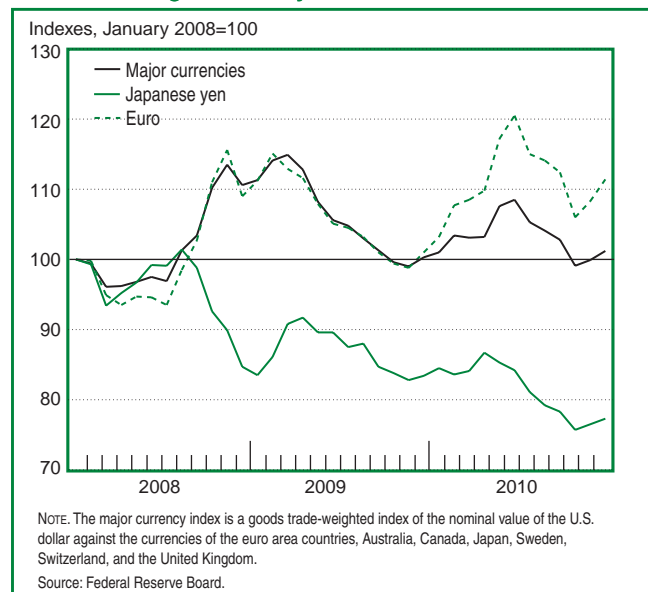
of fuel and in trade in goods that accompanied the global economic recovery. For imports, other transportation services grew strongly, but growth in travel and in other private services was weak; travel abroad by U.S. residents grew only slightly, reflecting weak U.S. economic growth, and growth in other private services was curtailed by a decrease in insurance services. (For details by type of service, see pages 17–21; see also “Notes on Cross-Border Trade in Services” on pages 29–30.)

By area, Europe remains the largest market for U.S. services exports, followed by Asia and Pacific. Europe and Asia and Pacific are also the largest sources of U.S.

**Chart 2. Real GDP by Major Area**



**Chart 3. Foreign Currency Price of the U.S. Dollar**



services imports; in 2010, Asia and Pacific regained its historical position as the second largest area after having fallen below Latin America and Other Western Hemisphere in 2009. By country, Canada became the largest market for U.S. services exports, surpassing the United Kingdom for the first time since 1992 (table C). Exports to Canada increased in every major category, with a particularly strong increase in travel. Exports to the United Kingdom decreased, led by a decrease in royalties and license fees. China continued to rise within the top 10 markets for U.S. services exports, surpassing Switzerland and France to become the seventh largest market.

For imports, the United Kingdom remained the top provider of services to the United States, followed by Bermuda, which primarily supplied insurance services. Canada and Japan surpassed Germany to become the third-largest and fourth-largest providers, and China entered the top 10 for the first time, displacing Ireland.

**Table C. Cross-Border Services Exports and Imports  
by Type and Country, 2010**  
[Millions of dollars]

	Total private services	Travel	Passenger fares	Other transportation	Royalties and license fees	Other private services
Exports						
<b>All countries</b> .....	<b>530,274</b>	<b>103,505</b>	<b>30,931</b>	<b>39,936</b>	<b>105,583</b>	<b>250,320</b>
<b>Total for the 10 largest countries</b> <sup>1</sup>	<b>290,680</b>	<b>59,489</b>	<b>19,659</b>	<b>20,395</b>	<b>65,607</b>	<b>125,530</b>
Canada .....	50,521	16,641	4,182	2,984	8,287	18,427
United Kingdom .....	48,535	8,765	2,801	3,641	6,864	26,464
Japan .....	44,750	10,198	4,360	3,555	10,721	15,916
Ireland .....	24,840	1,033	280	300	12,850	10,377
Germany .....	24,118	4,534	1,248	2,779	6,181	9,376
Mexico .....	24,110	6,117	2,612	1,226	2,526	11,629
China .....	21,135	3,780	1,225	2,296	3,333	10,501
Switzerland .....	20,313	1,043	320	1,169	8,281	9,500
Brazil .....	16,515	4,236	1,683	998	3,123	6,475
France .....	15,843	3,142	948	1,447	3,441	6,865
<b>Other countries</b> .....	<b>239,594</b>	<b>44,016</b>	<b>11,272</b>	<b>19,541</b>	<b>39,976</b>	<b>124,790</b>
Imports						
<b>All countries</b> .....	<b>368,036</b>	<b>75,507</b>	<b>27,279</b>	<b>51,202</b>	<b>33,450</b>	<b>180,598</b>
<b>Total for the 10 largest countries</b> <sup>1</sup>	<b>215,078</b>	<b>33,704</b>	<b>11,410</b>	<b>25,382</b>	<b>25,071</b>	<b>119,511</b>
United Kingdom .....	39,652	4,324	3,705	3,107	3,031	25,485
Bermuda .....	31,740	245	0	974	16	30,505
Canada .....	25,579	6,539	501	4,404	1,036	13,099
Japan .....	23,541	3,278	1,331	5,670	7,817	5,445
Germany .....	22,476	2,606	2,562	3,632	3,187	10,489
Switzerland .....	19,665	630	399	1,748	5,272	11,616
France .....	15,067	2,409	1,473	1,887	4,016	5,282
Mexico .....	13,730	8,999	697	904	379	2,751
India .....	13,661	2,108	207	156	141	11,049
China .....	9,967	2,566	535	2,900	176	3,790
<b>Other countries</b> .....	<b>152,958</b>	<b>41,803</b>	<b>15,869</b>	<b>25,820</b>	<b>8,379</b>	<b>61,087</b>

1. Ranked by dollar value of total exports or imports.

Trade within multinational corporations (affiliated trade) accounted for 28 percent of exports and 25 percent of imports in 2010, similar to the shares in 2009. Affiliated trade showed more stability through the economic downturn than unaffiliated trade. For exports, affiliated trade rose 5 percent in 2010 after falling 1 percent in 2009. In contrast, unaffiliated trade grew faster in 2010, 10 percent, but fell more sharply in 2009, 8 percent. For imports, affiliated trade rose 7 percent in 2010 and was flat in 2009, compared with a 6 percent increase in 2010 and a 9 percent decrease in 2009 for unaffiliated trade. Affiliated trade consists entirely of royalties and license fees and other private services, which tend to be less responsive to changes in the business cycle partly due to long-term contracts. In addition, the lower volatility of affiliated trade reflects the reliance on inputs from affiliated parties in the integrated operations of MNCs and cost-sharing arrangements within MNCs. In contrast, unaffiliated trade includes additional services—such as travel, passenger fares, and other transportation—all of which are unaffiliated by definition and tend to be more responsive to changes in economic conditions.

### Services Supplied Through Affiliates in 2009

U.S. international services delivered via the channel of direct investment consist of (1) services supplied to local and other foreign markets by the foreign affiliates of U.S. multinational companies (MNCs) and (2) services supplied to the U.S. market by foreign multinationals' U.S. affiliates.<sup>2</sup> In 2009, U.S. MNCs supplied services of \$1,076.4 billion to foreign markets through their affiliates, and foreign MNCs' affiliates supplied services of \$668.8 billion to the United States. The difference between international services supplied to foreign and to U.S. markets through affiliates was \$407.6 billion in 2009, compared with \$415.3 billion in 2008.

Services supplied abroad by U.S. MNCs' foreign affiliates decreased 4 percent in 2009 after growing 10 percent in 2008. This marked the first annual decrease for the series, for which statistics are available beginning with 1986. The decrease in 2009 reflected a continuation of the global economic slowdown that began in late 2007. Real GDP declined in most major markets served by affiliates, especially high-income markets in Europe (chart 2). Several emerging markets also recorded declines or slower growth in 2009. In addition,

2. The statistics on services supplied through affiliates cover the full value of services provided by majority-owned affiliates, irrespective of the percentage of ownership. For more information, see the box "Measuring Services Supplied through Affiliates" on page 25.

the appreciation of the U.S. dollar against many major currencies depressed the dollar value of services supplied by affiliates in several important markets, including the euro area, the United Kingdom, and Canada (chart 3). In contrast, depreciation against the yen boosted the dollar value of services provided by affiliates in Japan.

The decline in services supplied was largely concentrated among affiliates in Europe and in Canada, which together more than accounted for the overall decline. In contrast, the decreases were partly offset by increases in services supplied in Asia and Pacific, in Latin America and Other Western Hemisphere, and in the Middle East. In Europe, weak demand led to smaller goods sales volumes and, thus, lower distributive services by affiliates with wholesaling activities. In addition, services supplied decreased for affiliates in finance because of weaker demand for various financial products and services as well as smaller fees and commissions earned on lower levels of managed client assets.

The increase in Asia and Pacific reflected services provided by new affiliates and acquisitions by existing affiliates. Some existing affiliates also contributed to the increase as they expanded their operations to serve local customers. The increase was led by affiliates in China, followed by those in Japan and in India.

By industry, wholesale trade led the decrease, as distributive services provided by wholesalers of a variety of products—especially durable goods—decreased along with declining sales volumes. Selloffs of affiliates and market conditions contributed to declines in finance and insurance and in utilities. In contrast, new affiliates and acquisitions by existing affiliates boosted services supplied in professional, scientific, and technical services, in mining, and in transportation and

warehousing.

Services supplied to the U.S. market by the affiliates of foreign MNCs decreased 5 percent in 2009, marking a reversal from 3 percent growth in 2008 and the first annual decrease on record. The decrease reflected the U.S. economic downturn, which intensified in the early part of 2009 before returning to growth in the second half, with a 3.5 percent decline in real GDP for the year.

Services declined in many industry sectors and were widespread by country of ultimate beneficial owner (UBO), as affiliates faced weak U.S. demand for their goods and services.<sup>3</sup> By industry, services supplied by affiliates in wholesale trade were particularly affected by the downturn as distributive services fell along with declining volumes of goods sold. Distributors of durable goods—especially motor vehicles and motor vehicle parts—contributed the most to the decline. In transportation and warehousing, the decrease in services reflected weakened U.S. demand. Weaker demand also contributed to a decline in professional, scientific, and technical services that was widespread by industry. In contrast, the decreases were partly offset by an increase in services supplied in finance and insurance, largely due to affiliates that were acquired in 2009 or in late 2008, which were recorded for a full year for the first time.

Affiliates with UBOs in Latin America and Other Western Hemisphere had the largest decrease in 2009, which was largely attributable to changes in location of UBOs, reflecting moves by some owners to reincorporate in Europe.<sup>4</sup> Services supplied decreased sharply for affiliates with UBOs in Asia and Pacific, mainly because of decreases in distributive services provided by Japanese-owned affiliates. For Europe, German- and French-owned affiliates led the decline.

#### Data Availability

The cross-border trade statistics for 1986–2010 and the statistics on services supplied through majority-owned affiliates for 1989–2009 can be accessed on BEA's Web site. To access these files, go to [www.bea.gov](http://www.bea.gov) and, under "International," click on "International Services," and then select "International Services Statistics."

3. The UBO of a U.S. affiliate is that person, proceeding up the affiliate's ownership chain, beginning with and including the foreign parent, that is not owned more than 50 percent by another person. Unlike the foreign parent, the UBO of an affiliate may be located in the United States. The UBO of each affiliate is identified to ascertain the person that ultimately owns or controls the U.S. affiliate and therefore ultimately derives the benefits from ownership or control.

4. Although a change in the location of an affiliate's UBO decreases (increases) services supplied for affiliates with UBOs in the country from which (to which) ownership is transferred, the change in country of ownership does not affect the overall year-to-year change in services supplied because these changes are offsetting. However, services supplied by some affiliates with changes in country of UBO actually declined in 2009 as a result of economic conditions.

## U.S. Cross-Border Trade—Travel and Passenger Fares

**Table D. Travel and Passenger Fare Receipts and Payments**  
[Millions of dollars]

	2008	2009	2010	Change 2009– 2010
<b>Travel receipts</b> .....	<b>110,423</b>	<b>94,191</b>	<b>103,505</b>	<b>9,314</b>
Receipts by country:				
Total receipts for the five largest countries .....	51,295	41,713	46,255	4,542
Canada .....	14,847	12,864	16,641	3,777
Japan .....	10,784	9,495	10,198	703
United Kingdom .....	13,155	8,884	8,765	-119
Mexico .....	7,326	5,991	6,117	126
Germany .....	5,183	4,479	4,534	55
Other countries .....	59,128	52,478	57,250	4,772
<b>Travel payments</b> .....	<b>80,494</b>	<b>74,118</b>	<b>75,507</b>	<b>1,389</b>
Payments by country:				
Total payments for the five largest countries .....	30,338	25,961	26,383	422
Mexico .....	10,236	8,867	8,999	132
Canada .....	6,925	5,954	6,539	585
United Kingdom .....	5,735	4,365	4,324	-41
Japan .....	3,745	3,570	3,278	-292
Italy .....	3,697	3,205	3,243	38
Other countries .....	50,156	48,157	49,124	967
<b>Passenger fare receipts</b> .....	<b>30,957</b>	<b>26,103</b>	<b>30,931</b>	<b>4,828</b>
Receipts by country:				
Total receipts for the five largest countries .....	14,403	12,622	15,638	3,016
Japan .....	3,770	3,554	4,360	806
Canada .....	3,484	3,221	4,182	961
United Kingdom .....	3,561	2,545	2,801	256
Mexico .....	2,416	2,055	2,612	557
Brazil .....	1,172	1,247	1,683	436
Other countries .....	16,554	13,481	15,293	1,812
<b>Passenger fare payments</b> .....	<b>31,841</b>	<b>25,137</b>	<b>27,279</b>	<b>2,142</b>
Payments by country:				
Total payments for the five largest countries .....	13,521	10,192	11,269	1,077
United Kingdom .....	4,794	3,417	3,705	288
Germany .....	3,346	2,258	2,562	304
Korea, Republic of .....	1,696	1,820	2,053	233
Taiwan .....	1,750	1,313	1,476	163
France .....	1,935	1,384	1,473	89
Other countries .....	18,320	14,945	16,010	1,065

Travel receipts rose 10 percent as the number of visitors to the United States increased. The depreciation of the U.S. dollar against other major currencies (chart 3), which decreased the cost of U.S. travel for many foreign visitors, may have contributed to the rise in travel receipts.

Travel receipts from Canada rose 29 percent as both the number of Canadian visitors to the United States and their average expenditures increased. The strength of the Canadian dollar relative to the U.S. dollar likely contributed to these increases.

The increase in travel receipts from “other” countries was driven by receipts from countries in the Asia and Pacific region—particularly China and the Republic of Korea.

Travel payments rose 2 percent after falling 8 percent in 2009. The increase was led by increases in payments to Canada, China, and Germany.

Payments to Canada increased 10 percent, reflecting an increase in average expenditures; the number of U.S. travelers to Canada decreased.

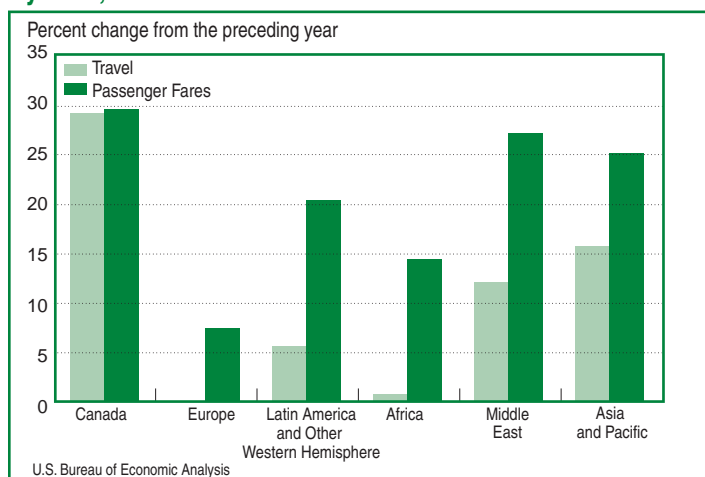
Passenger fare receipts rose 18 percent after falling 16 percent. Passenger fare receipts grew faster than travel receipts (chart 4); the faster growth in passenger fare receipts mainly reflected an increase in airfares as a result of an increase in the cost of jet fuel.

Passenger fare receipts from Japan rose 23 percent, as the number of Japanese visitors flying on U.S. carriers and average airfares increased.

Passenger fare payments rose 9 percent, reflecting an increase in average airfares.

Among “other” countries, Canada, China, and Japan showed notable increases in passenger fare payments.

**Chart 4. Change in Travel and Passenger Fare Receipts by Area, 2010**



**U.S. Cross-Border Trade—Other Transportation**

**Table E. Other Transportation Receipts and Payments**  
[Millions of dollars]

	2008	2009	2010	Change 2009–2010
<b>Other transportation receipts</b> .....	<b>44,016</b>	<b>35,533</b>	<b>39,936</b>	<b>4,403</b>
Freight services.....	22,455	17,466	19,768	2,302
Ocean.....	4,857	3,244	4,047	803
Air.....	13,483	10,569	11,973	1,404
Other.....	4,115	3,652	3,747	95
Port services.....	21,561	18,067	20,168	2,101
Ocean.....	12,878	10,327	11,642	1,315
Air.....	8,402	7,530	8,312	782
Other.....	281	210	213	3
Receipts by country:				
Total receipts for the five largest countries.....	16,759	13,344	15,255	1,911
United Kingdom.....	4,073	3,161	3,641	480
Japan.....	4,252	3,209	3,555	346
Canada.....	3,157	2,695	2,984	289
Germany.....	2,984	2,469	2,779	310
China.....	2,293	1,810	2,296	486
Other countries.....	27,257	22,189	24,681	2,492
<b>Other transportation payments</b> .....	<b>56,696</b>	<b>42,591</b>	<b>51,202</b>	<b>8,611</b>
Freight services.....	42,634	29,795	37,915	8,120
Ocean.....	32,469	21,633	27,749	6,116
Air.....	6,179	4,687	6,437	1,750
Other.....	3,986	3,474	3,730	256
Port services.....	14,061	12,797	13,288	491
Ocean.....	1,958	1,554	1,614	60
Air.....	12,022	11,190	11,600	410
Other.....	81	53	73	20
Payments by country:				
Total payments for the five largest countries.....	21,901	16,438	19,789	3,351
Japan.....	6,431	4,507	5,670	1,163
Canada.....	4,411	3,779	4,404	625
Germany.....	4,093	3,146	3,632	486
United Kingdom.....	3,643	2,704	3,107	403
Korea, Republic of.....	3,323	2,302	2,976	674
Other countries.....	34,795	26,153	31,413	5,260

Other transportation receipts rose 12 percent, as freight and port services partly recovered from large decreases in 2009. The rise was driven by a 15 percent increase in U.S. goods exports; because transportation receipts largely arise from the transportation of goods, they are highly correlated with U.S. goods exports (chart 5).

Air freight receipts increased, mostly because of an 18 percent increase in U.S. goods exports transported by U.S. air carriers.

Ocean port receipts increased, reflecting the increased volume of U.S. goods exports and imports; foreign vessels and aircraft purchase U.S. port services both when arriving with imported goods and when departing with exported goods.

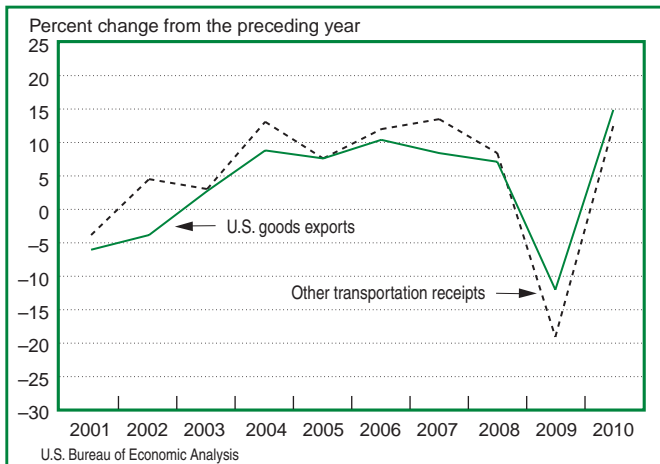
Receipts from China grew the most, rising 27 percent and reaching the same level as in 2008.

Other transportation payments rose 20 percent, mostly reflecting an increase in ocean freight payments, which was largely due to a 15 percent increase in U.S. goods imports; other transportation payments are highly correlated with the growth of U.S. goods imports (chart 6).

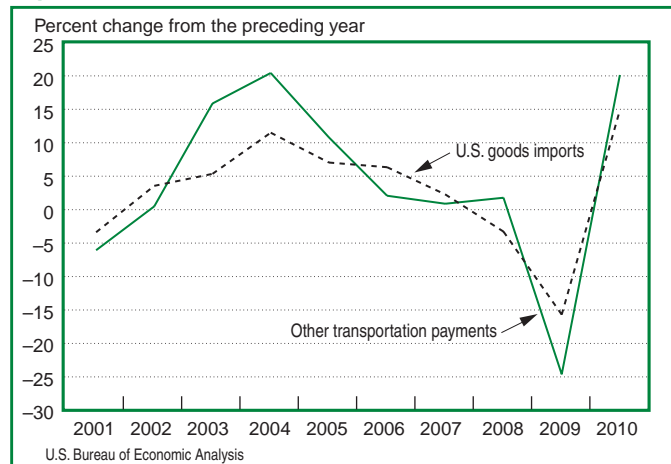
Ocean freight payments increased, mostly reflecting increases in payments to Asia and Pacific, which increased 30 percent, and payments to Europe, which increased 29 percent.

Among the five countries with the largest payments, payments to Japan and Korea rose 26 percent and 29 percent, respectively; payments to Canada, Germany, and the United Kingdom increased between 15 and 17 percent.

**Chart 5. Other Transportation Receipts and U.S. Goods Exports**



**Chart 6. Other Transportation Payments and U.S. Goods Imports**



## U.S. Cross-Border Trade—Royalties and License Fees

**Table F. Royalties and License Fees Receipts and Payments**

[Millions of dollars]

	2008	2009	2010	Change 2009–2010
<b>Royalties and license fees receipts</b> .....	<b>102,125</b>	<b>97,183</b>	<b>105,583</b>	<b>8,400</b>
Industrial processes .....	37,685	33,785	35,818	2,033
Film and television tape distribution .....	13,230	13,736	13,529	-207
Trademarks.....	13,161	12,364	14,062	1,698
General use computer software .....	31,414	30,868	35,040	4,172
Other .....	6,635	6,429	7,135	706
Receipts by affiliation:				
Unaffiliated .....	34,525	33,402	39,188	5,786
Affiliated .....	67,601	63,780	66,395	2,615
By U.S. parents from their foreign affiliates .....	64,326	60,499	63,068	2,569
By U.S. affiliates from their foreign parents .....	3,274	3,282	3,327	45
Receipts by country:				
Total receipts for the five largest countries .....	46,888	44,841	47,003	2,162
Ireland .....	14,116	14,341	12,850	-1,491
Japan.....	7,780	8,524	10,721	2,197
Canada.....	7,059	6,727	8,287	1,560
Switzerland.....	7,752	7,700	8,281	581
United Kingdom.....	10,181	7,549	6,864	-685
Other countries.....	55,237	52,342	58,580	6,238
<b>Royalties and license fees payments</b> .....	<b>29,623</b>	<b>29,849</b>	<b>33,450</b>	<b>3,601</b>
Industrial processes .....	16,223	16,763	19,672	2,909
Film and television tape distribution .....	1,782	1,925	1,666	-259
Trademarks.....	3,429	4,006	4,808	802
General use computer software .....	6,104	5,887	4,942	-945
Other .....	2,084	1,268	2,363	1,095
Payments by affiliation:				
Unaffiliated .....	8,204	8,687	10,080	1,393
Affiliated .....	21,419	21,161	23,370	2,209
By U.S. parents to their foreign affiliates .....	4,756	5,053	5,322	269
By U.S. affiliates to their foreign parents .....	16,663	16,108	18,048	1,940
Payments by country:				
Total payments for the five largest countries .....	20,238	20,947	23,323	2,376
Japan.....	7,028	6,049	7,817	1,768
Switzerland.....	4,234	4,557	5,272	715
France .....	2,976	4,225	4,016	-209
Germany.....	3,025	3,220	3,187	-33
United Kingdom.....	2,975	2,896	3,031	135
Other countries <sup>1</sup> .....	9,385	8,902	10,127	1,225

1. Other countries also includes "international organizations and unallocated," and royalties and license fees payments to international organizations are often substantial.

Receipts for trademarks increased, led by increases from companies in the manufacturing sector. By country, receipts from Switzerland and China increased significantly; receipts from China have increased fourfold since 2006.

Receipts for general use computer software rose 14 percent; as an increase in receipts from Asia and Pacific more than offset a decrease in receipts from Europe. Computer software is an increasingly important component of royalty receipts, accounting for a third of the total in 2010 (chart 7).

Unaffiliated receipts rose 17 percent after decreasing in 2008 and 2009. Since 2005, unaffiliated receipts have grown at an average annual rate twice that of affiliated receipts, but affiliated receipts continue to account for the majority of royalty and license fees, partly because firms can exercise more control over the distribution and use of their intellectual property in an affiliated relationship.

Receipts from Japan increased in 2009 and 2010, mainly reflecting increases in general use computer software; computer software is now the largest component of royalty receipts from Japan.

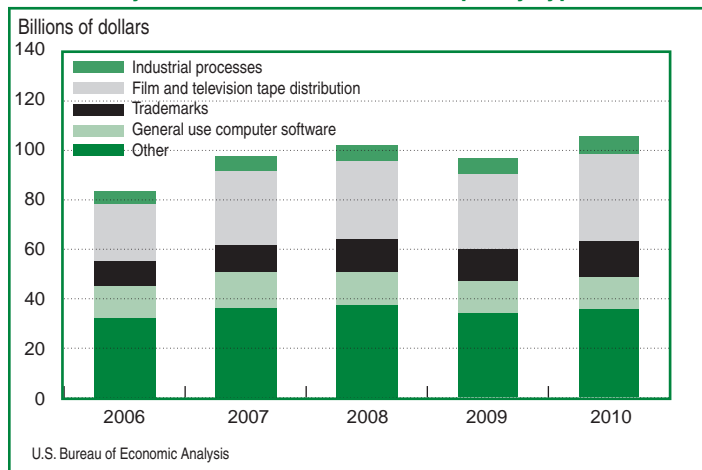
Receipts from the United Kingdom continued to decrease from the record high in 2007. In 2010, the decreases were concentrated in general use computer software.

Payments for rights related to industrial processes increased as manufacturing, particularly automotive manufacturing, began to recover from the global recession.

“Other” payments increased, mainly because of an increase in payments for the rights to broadcast and record live events, which spike in years of major international sporting events, such as in 2010 when U.S. firms paid to broadcast the Winter Olympic Games and the World Cup.

Payments to Japan rose, driven by payments by U.S. affiliates to their Japanese parents for the rights to industrial processes.

**Chart 7. Royalties and License Fee Receipts by Type**



**U.S. Cross-Border Trade—Other Private Services Receipts**

**Table G. Other Private Services Receipts**

[Millions of dollars]

	2008	2009	2010	Change 2009–2010
<b>Other private services receipts</b> .....	<b>232,019</b>	<b>234,858</b>	<b>250,320</b>	<b>15,462</b>
Education .....	17,956	19,948	21,291	1,343
Financial services .....	63,027	62,444	66,387	3,943
Securities transactions <sup>1</sup> .....	19,269	16,657	15,522	-1,135
Management and advisory <sup>2</sup> .....	25,030	23,919	27,910	3,991
Credit card and credit related .....	7,660	9,553	9,616	63
Other <sup>3</sup> .....	11,068	12,315	13,339	1,023
Insurance services .....	13,403	14,427	14,605	178
Telecommunications .....	9,999	10,053	11,095	1,042
Business, professional and technical services .....	116,281	117,793	126,296	8,503
Computer and information services .....	13,120	13,483	13,766	283
Management, consulting, and public relations services .....	29,708	29,111	30,858	1,747
Research, development, and testing services .....	17,345	17,994	20,954	2,960
Operational leasing .....	7,728	7,663	7,158	-505
Other business, professional, and technical services .....	48,380	49,543	53,560	4,017
Installation, maintenance and repair of equipment .....	10,019	12,077	13,652	1,575
Legal services .....	7,317	7,256	7,303	47
Architectural, engineering, and other technical services .....	5,793	5,599	6,170	571
Industrial engineering services .....	3,782	4,942	6,042	1,100
Trade-related services .....	5,990	4,153	4,718	565
Other services .....	11,353	10,193	10,646	453
Receipts by affiliation:				
Unaffiliated .....	157,894	158,574	169,569	10,995
Affiliated .....	74,125	76,284	80,750	4,466
By U.S. parents from their foreign affiliates .....	48,016	49,052	52,129	3,077
By U.S. affiliates from their foreign parents .....	26,109	27,231	28,622	1,391
Receipts by country:				
Total receipts for the five largest countries .....	79,194	79,406	82,937	3,531
United Kingdom .....	28,359	26,928	26,464	-464
Canada .....	16,567	17,137	18,427	1,290
Japan .....	14,938	15,267	15,916	649
Mexico .....	12,482	11,697	11,629	-68
China .....	6,848	8,377	10,501	2,124
Other countries .....	152,825	155,452	167,383	11,931

1. Includes brokerage services and underwriting and private placement services.  
 2. Includes financial management services and financial advisory and custody services.  
 3. Includes securities lending, electronic funds transfer, and other financial services.

Education receipts rose, reflecting a 3 percent increase in the number of foreign students studying in the United States and an 8 percent increase in tuition payments. In 2010, China accounted for 18 percent of international students, the most of any country, followed by India, which accounted for 15 percent.

Securities transactions fell, reflecting a decrease in receipts for underwriting and private placement services due to fewer opportunities for underwriting; receipts for brokerage services increased.

Receipts for management and advisory services increased after decreasing for 2 years. The increase was largely due to an increase in performance fees earned for financial management services.

Insurance services increased 1 percent, the lowest growth rate among major types of other private services (chart 8).

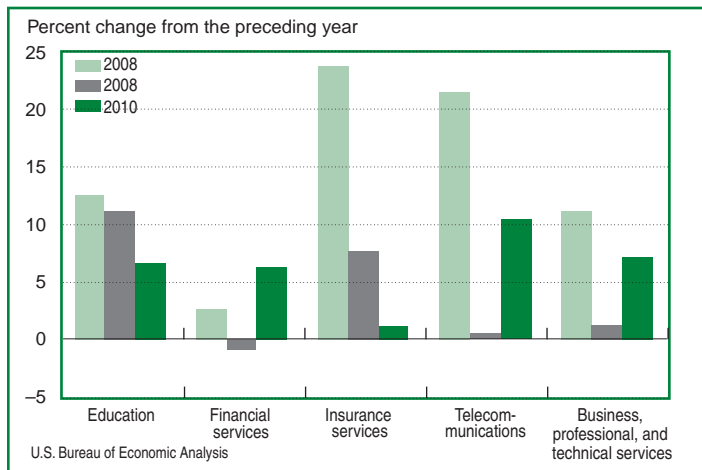
Telecommunications receipts rose primarily because of an increase in receipts by U.S. parents from their foreign affiliates. Affiliated receipts have grown rapidly in recent years, reflecting the increased importance of value-added services such as satellite broadcasting, business communication, and data network management. Affiliated transactions now account for more than half of telecommunications receipts.

Receipts for research, development, and testing services rose 16 percent, bolstered by increases from companies in the information, computer manufacturing, and pharmaceutical industries.

Receipts for installation, maintenance, and repair of equipment rose, mainly because of increases in installation and maintenance services performed by U.S. manufacturing companies.

Receipts from China rose 25 percent, reflecting strong growth in financial services, in education, and in business, professional, and technical services. In 2010, China surpassed Ireland, Germany, and Switzerland to become a top five market for U.S. exports of other private services.

**Chart 8. Other Private Services Receipts by Type**





## U.S. Cross-Border Trade—Other Private Services Payments

**Table H. Other Private Services Payments**  
[Millions of dollars]

	2008	2009	2010	Change 2009–2010
<b>Other private services payments</b> .....	<b>172,543</b>	<b>174,325</b>	<b>180,598</b>	<b>6,273</b>
Education .....	5,143	5,357	5,677	320
Financial services.....	17,218	13,597	13,803	206
Securities transactions <sup>1</sup> .....	4,567	4,703	4,002	-701
Management and advisory <sup>2</sup> .....	5,236	4,251	4,050	-201
Credit card and credit related .....	817	1,323	2,026	704
Other <sup>3</sup> .....	6,599	3,320	3,724	405
Insurance services .....	58,913	63,614	61,767	-1,847
Telecommunications .....	7,761	7,493	8,006	513
Business, professional and technical services.....	82,796	83,559	90,585	7,026
Computer and information services.....	16,895	17,047	19,385	2,338
Management, consulting, and public relations services.....	22,766	22,118	22,888	770
Research, development, and testing services.....	16,322	16,582	18,541	1,959
Operational leasing.....	1,680	1,912	2,111	199
Other business, professional, and technical services.....	25,133	25,901	27,661	1,760
Installation, maintenance, and repair of equipment.....	5,742	5,938	6,527	589
Industrial engineering services.....	3,605	3,707	3,516	-191
Advertising services.....	2,079	2,380	3,312	932
Accounting, auditing, and bookkeeping services.....	2,363	2,162	2,394	232
Legal services.....	1,918	1,638	1,532	-106
Other services.....	713	705	759	54
Payments by affiliation:				
Unaffiliated .....	108,716	110,025	112,269	2,244
Affiliated .....	63,827	64,300	68,329	4,029
By U.S. parents to their foreign affiliates .....	42,579	42,099	44,624	2,525
By U.S. affiliates to their foreign parents .....	21,248	22,202	23,705	1,503
Payments by country:				
Total payments for the five largest countries .....	83,576	89,562	91,754	2,192
Bermuda.....	23,138	32,385	30,505	-1,880
United Kingdom.....	26,759	24,538	25,485	947
Canada.....	12,711	11,509	13,099	1,590
Switzerland.....	11,552	11,618	11,616	-2
India.....	9,416	9,512	11,049	1,537
Other countries.....	88,967	84,763	88,844	4,081

1. Includes brokerage services and underwriting and private placement services.  
 2. Includes financial management services and financial advisory and custody services.  
 3. Includes securities lending, electronic funds transfer, and other financial services.

Education payments increased 6 percent in 2010, reflecting increases in average tuition and in the number of U.S. students studying abroad.

Financial services returned to growth after sharply declining for 2 years. During the economic downturn, financial services had the steepest decline of any major category of other private services payments (chart 9).

Payments for credit card and other credit-related services increased more than 50 percent in 2010 largely because of an increase in credit-related services, which have tripled since 2008, reflecting an increase in refinancing activity following the financial crisis.

Payments for insurance services decreased, reflecting a decrease in payments for reinsurance, which was led by decreases in payments to Bermuda, Ireland, and Germany.

Research, development, and testing services increased, reflecting increases in payments by companies involved in the computer software, computer and electronic product manufacturing, and professional, scientific, and technical industries.

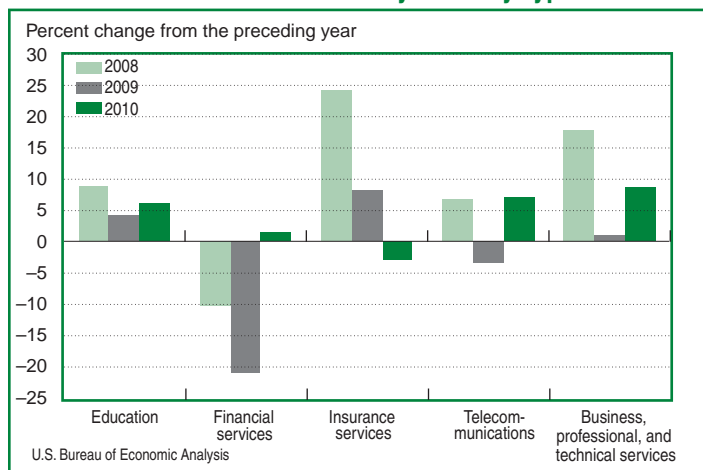
Payments for advertising services rose, mainly reflecting strong growth in payments for advertising services in countries in Asia and Pacific, which became the largest provider of advertising services.

Affiliated payments rose 6 percent, reflecting rises in business, professional, and technical services—particularly research, development, and testing services and computer and information services—and telecommunications.

Bermuda continued to be the largest single provider of other private services (mainly insurance) to the United States.

India replaced Germany as a top five provider of other private services. Payments to India increased, mainly because of an increase in computer and information services; payments to Germany decreased, mainly because of a decrease in insurance services.

**Chart 9. Other Private Services Payments by Type**



**Services Supplied by Affiliates—To Foreign Persons Through Foreign Affiliates**

**Table I. Services Supplied to Foreign Persons by U.S. MNCs Through Their Majority-Owned Foreign Affiliates by Industry**  
[Millions of dollars]

	2008	2009	Change 2008-2009
<b>All industries</b> .....	1,116,932	1,076,439	-40,493
Manufacturing.....	50,913	35,437	-15,476
Wholesale trade.....	223,263	200,955	-22,308
Professional and commercial equipment and supplies.....	75,091	68,413	-6,678
Retail trade.....	64,918	67,886	2,968
Information.....	(D)	121,720	(D)
Finance and insurance.....	235,852	226,238	-9,614
Finance.....	174,059	165,855	-8,204
Insurance carriers and related activities.....	61,794	60,383	-1,411
Real estate and rental and leasing.....	38,435	37,550	-885
Professional, scientific, and technical services.....	(D)	(D)	(D)
Architectural, engineering, and related services.....	21,831	24,946	3,115
Computer systems design and related services.....	(D)	(D)	(D)
Management, scientific, and technical consulting.....	15,867	18,224	2,357
Advertising and related services.....	13,803	12,587	-1,216
Other industries.....	233,012	(D)	(D)
Mining.....	29,121	33,184	4,063
Utilities.....	(D)	(D)	(D)
Transportation and warehousing.....	(D)	(D)	(D)
Management of companies and enterprises.....	6,343	6,224	-119
Administration, support, and waste management.....	(D)	(D)	(D)
Accommodations and food services.....	36,817	36,127	-690

D Suppressed to avoid disclosure of data of individual companies.  
MNCs Multinational companies

In manufacturing, decreases in various industries resulted as secondary activities in services—such as maintenance, distribution, and transportation and warehousing—fell along with declining sales of goods.

In wholesale trade, decreases were widespread. Distributive services fell as weaker demand lowered sales volumes for a variety of products, especially durable goods, such as professional and commercial equipment and supplies and machinery, equipment, and supplies. European affiliates accounted for the largest share of the decrease (87 percent) by far.

In finance and insurance, the decrease was largely due to affiliates in finance and, to a lesser extent, insurance. In finance, fees and commissions fell because of lower levels of client assets under management and weaker demand for certain financial products and services, such as securities lending and advisory services. In insurance, lower levels of premiums written contributed to the decrease. Selloffs of existing affiliates also contributed to the decreases in both industries.

In professional, scientific, and technical services, services supplied grew despite the global economic slowdown and were boosted by affiliates that were newly acquired or established in 2009 or in late 2008 and were recorded for the first full year in 2009.

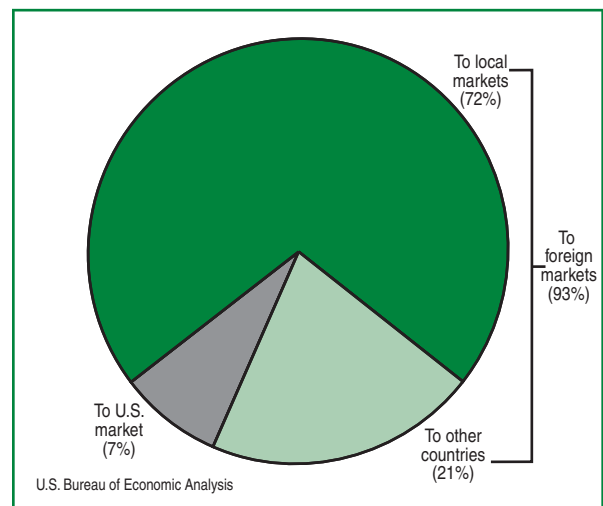
In mining, new affiliates that were recorded for the first time in 2009 boosted services supplied.

In utilities, services declined as a result of weak demand and lower activity volumes.

**Services Supplied by U.S. MNCs and Proximity to Foreign Markets**

Services supplied to foreign markets through the channel of direct investment include both services provided by U.S. multinationals' affiliates to the local market and to other foreign markets. Transactions with parties in the same country tend to dominate affiliates' transactions in services as well as in goods. In 2009, transactions with parties in the local market accounted for 72 percent of services and 56 percent of goods supplied by the foreign affiliates of U.S. companies. The larger share of local market transactions for services reflects the greater importance of proximity to customers in the delivery of services, compared with goods. Services supplied to foreign markets accounted for 93 percent of affiliates' \$1,158.1 billion in services supplied worldwide (chart 10).

**Chart 10. Services Supplied Worldwide by U.S. Multinational Companies Through Their Majority-Owned Foreign Affiliates, 2009**



## Services Supplied by Affiliates—To Foreign Persons Through Foreign Affiliates

**Table J. Services Supplied to Foreign Persons by U.S. MNCs Through Their Majority-Owned Foreign Affiliates by Country of the Affiliate**  
[Millions of dollars]

	2008	2009	Change 2008-2009
<b>All countries</b> .....	1,116,932	1,076,439	-40,493
Canada.....	110,947	101,424	-9,523
Europe.....	634,342	581,319	-53,023
France.....	48,257	41,794	-6,463
Germany.....	59,532	56,913	-2,619
Ireland.....	58,599	59,519	920
Netherlands.....	46,204	43,372	-2,832
Switzerland.....	62,817	55,928	-6,889
United Kingdom.....	228,341	197,062	-31,279
Latin America and Other Western Hemisphere.....	110,175	118,642	8,467
South and Central America.....	81,493	83,357	1,864
Brazil.....	21,868	24,708	2,840
Mexico.....	32,198	30,466	-1,732
Other Western Hemisphere.....	28,682	35,284	6,602
Bermuda.....	(D)	16,096	(D)
Africa.....	11,037	11,047	10
Middle East.....	11,239	14,093	2,854
Asia and Pacific.....	239,192	249,914	10,722
Australia.....	38,226	38,263	37
China.....	18,480	23,064	4,584
Hong Kong.....	28,126	29,433	1,307
India.....	9,755	13,083	3,328
Japan.....	61,895	65,566	3,671
Singapore.....	34,011	34,351	340

D Suppressed to avoid disclosure of data of individual companies.  
MNCs Multinational companies

The appreciation of the U.S. dollar against certain major currencies depressed the dollar value of services supplied through affiliates in important markets, such as the euro area, the United Kingdom, and Canada.

In Canada, decreases were spread across industries, led by affiliates in utilities.

In France, the economic slowdown was reflected in widespread decreases, especially for affiliates in administration, support, and waste management, in wholesale trade, and in manufacturing.

In Switzerland, the decrease was mainly due to a fall in distributive services that resulted from lower sales volumes on a variety of durable and nondurable goods.

In the United Kingdom, the decrease was the largest by country, accounted for 59 percent of the decline for Europe, and was led by affiliates in manufacturing and in finance and insurance. In manufacturing, the decrease reflected reduced secondary activities in wholesaling and in transportation. In finance and insurance, the decrease was concentrated among finance affiliates that earned lowered fees and commissions because of weaker demand for some financial products.

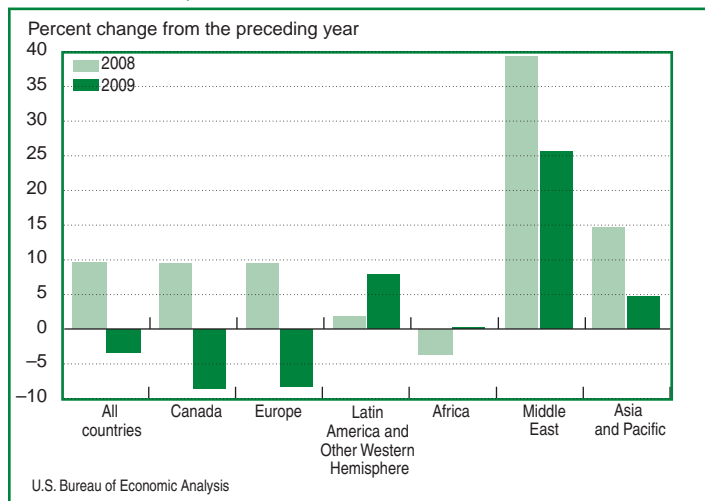
In Other Western Hemisphere, the increase was led by affiliates in administration, support, and waste management. Services supplied were boosted by newly established affiliates.

In China, the increase was led by affiliates in professional, scientific, and technical services and in wholesale trade. Services supplied to local unaffiliated customers accounted for most of the increase.

In India, services supplied were boosted by affiliates that were established or acquired in 2009 or in 2008 and were recorded for the first full year in 2009.

In Japan, services supplied were boosted by newly acquired or established affiliates and corporate restructurings. The increase was led by affiliates in information and in wholesale trade.

**Chart 11. Services Supplied to Foreign Persons, by Major Area of Affiliate, 2008 and 2009**



## Services Supplied by Affiliates—To U.S. Persons Through U.S. Affiliates

**Table K. Services Supplied to U.S. Persons by Foreign MNCs Through Their Majority-Owned U.S. Affiliates by Industry**  
[Millions of dollars]

	2008	2009	Change 2008–2009
<b>All industries</b> .....	<b>701,589</b>	<b>668,811</b>	<b>-32,778</b>
Manufacturing .....	72,602	71,213	-1,389
Wholesale trade .....	135,249	112,377	-22,872
Professional and commercial equipment and supplies	14,134	13,081	-1,053
Retail trade .....	34,445	34,386	-59
Information .....	68,049	67,232	-817
Publishing industries .....	15,112	10,930	-4,182
Telecommunications .....	31,316	30,949	-367
Finance and insurance .....	143,361	146,877	3,516
Finance .....	95,133	97,002	1,869
Insurance carriers and related activities .....	48,228	49,876	1,648
Real estate and rental and leasing .....	21,381	20,765	-616
Professional, scientific, and technical services .....	71,020	68,253	-2,767
Architectural, engineering, and related services .....	11,945	11,150	-795
Computer systems design and related services .....	21,344	20,907	-437
Advertising and related services .....	25,477	25,172	-305
Other industries .....	155,483	147,708	-7,775
Mining .....	12,777	10,952	-1,825
Utilities .....	17,734	(D)	(D)
Transportation and warehousing .....	48,945	42,571	-6,374
Management of companies and enterprises .....	151	181	30
Administration, support, and waste management .....	32,534	33,323	789
Accommodations and food services .....	25,516	25,282	-234

MNCs Multinational companies

In manufacturing, services decreased because of a fall in distributive services associated with secondary wholesale trade activities that was due to lower sales volumes.

In wholesale trade, services supplied fell sharply, accounting for more than two-thirds of the total decline. Though decreases were widespread by industry, the largest decline, by far, was due to wholesalers of motor vehicles and motor vehicle parts and supplies, reflecting continued weakness in U.S. auto industry sales. The economic downturn also lowered distributive services provided by wholesalers of products ranging from electronics to metals.

In finance and insurance, the largest contributor to the increase was the inclusion of operations of affiliates that were acquired or became majority owned in 2009 or in late 2008 and were recorded for a full year for the first time in 2009. In contrast, services decreased for some affiliates as they exited certain lines of business in the United States.

In professional, scientific, and technical services, services supplied decreased as demand weakened for a wide range of services, including architectural, engineering, and related services, computer systems design, and advertising and related services.

In mining, services supplied decreased, reflecting weaker demand for oilfield services due to credit conditions and lower prices for oil and gas.

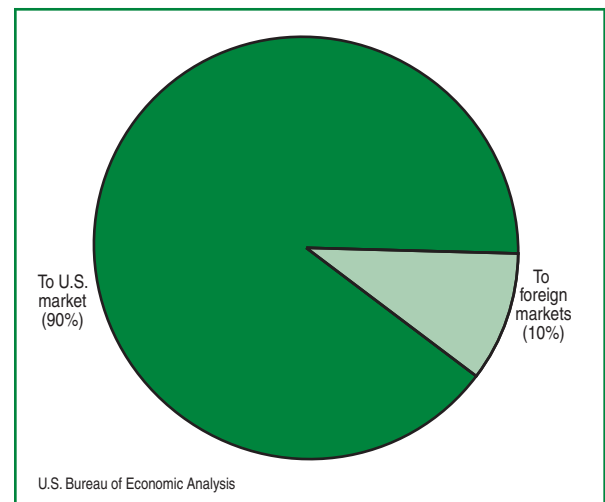
In transportation and warehousing, the decrease reflected weaker demand for transportation services during the U.S. slowdown.

### Services Supplied by Foreign MNCs and Proximity to the U.S. Market

Foreign multinationals supply services to the United States via the channel of direct investment through their U.S. affiliates. In 2009, as in other recent years, local transactions accounted for an even larger share of services and goods supplied by the U.S. affiliates of foreign companies than for the foreign affiliates of U.S. MNCs, reflecting the large size and attractiveness of the U.S. market (chart 12). In 2009, local market transactions accounted for 90 percent of U.S. affiliates' \$743.8 billion in services supplied worldwide; local transactions accounted for 89 percent of goods supplied.<sup>1</sup>

1. The shares of local and foreign sales of goods for U.S. affiliates of foreign companies were estimated based on exports of goods shipped because data on these affiliates' sales of goods are not collected by destination. In 2009, exports accounted for 11 percent of goods supplied by U.S. affiliates.

**Chart 12. Services Supplied Worldwide by Foreign Multinational Companies Through Their Majority-Owned U.S. Affiliates, 2009**



**Services Supplied by Affiliates—To U.S. Persons Through U.S. Affiliates**

**Table L. Services Supplied to U.S. Persons by Foreign MNCs Through Their Majority-Owned U.S. Affiliates by Country of UBO**  
[Millions of dollars]

	2008	2009	Change 2008–2009
<b>All countries</b> .....	<b>701,589</b>	<b>668,811</b>	<b>-32,778</b>
Canada.....	68,860	69,958	1,098
Europe.....	427,789	422,063	-5,726
Belgium.....	11,611	10,277	-1,334
France.....	73,634	68,760	-4,874
Germany.....	96,805	88,280	-8,525
Netherlands.....	45,965	42,867	-3,098
Spain.....	8,631	10,498	1,867
Switzerland.....	37,955	46,116	8,161
United Kingdom.....	115,594	117,685	2,091
Latin America and Other Western Hemisphere.....	48,945	34,052	-14,893
South and Central America.....	6,655	5,681	-974
Other Western Hemisphere.....	42,290	28,372	-13,918
Bermuda.....	29,676	19,445	-10,231
Africa.....	495	413	-82
Middle East.....	11,981	10,362	-1,619
Asia and Pacific.....	132,396	122,791	-9,605
Australia.....	11,849	12,613	764
Hong Kong.....	(D)	3,763	(D)
India.....	6,540	7,232	692
Japan.....	96,682	87,125	-9,557
Korea, Republic of.....	7,123	6,800	-323
United States <sup>1</sup> .....	11,125	9,172	-1,953

1. Contains data for U.S. affiliates that have a foreign parent but whose UBO is a U.S. person.  
MNCs Multinational companies  
UBO Ultimate beneficial owner

For France, decreases were widespread by industry and were led by a decrease in finance and insurance that reflected a reduction in fees due to lower levels of assets under management and the transfer of some lines of business from U.S. affiliates to affiliated units outside the United States.

For Germany, services decreased as the economic downturn affected affiliates in several industries, especially transportation and warehousing and wholesale trade.

For the Netherlands, the decline was led by a decrease in insurance.

For Switzerland, services were boosted by changes in some affiliates' country of UBO to Switzerland. Although services increased for Switzerland and decreased for the countries from which ownership was transferred, these changes were offsetting and did not result in an increase in total services supplied. In fact, services actually declined from 2008 for some affiliates that became Swiss owned.

For Other Western Hemisphere, services decreased as some affiliates' owners relocated to other jurisdictions, mainly in Europe. In addition, lower oil and gas prices and tight credit conditions led to lower demand for oilfield services.

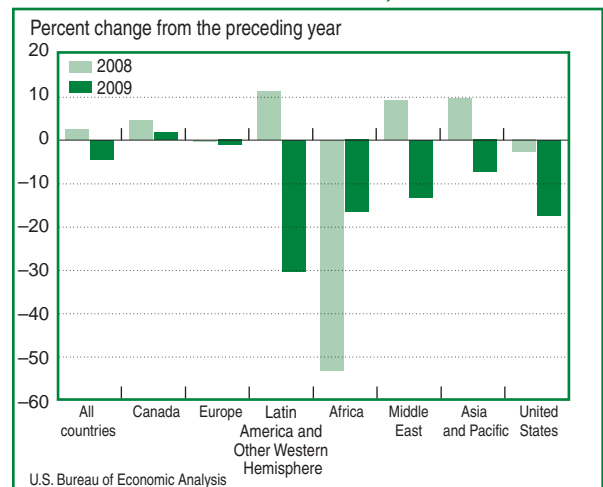
For Japan, services decreased, mainly because of a fall-off in distributive services. The decrease was led by affiliates with primary or secondary activities in motor vehicle and motor vehicle parts wholesaling, as the economic downturn depressed demand for new vehicles. Services also declined in information, as weak U.S. demand prompted some affiliates to shift their focus of activity to foreign markets.

**Measuring Services Supplied Through Affiliates**

Services are generally defined as economic outputs that are intangible. Services supplied corresponds to sales for most industries except those that typically produce and sell tangible goods—including manufacturing, mining (except support activities), agriculture, forestry, fishing and hunting (except support activities), and construction—and in wholesale and retail trade, insurance, and banking, which are based on measures that better capture service output in those industries.<sup>1</sup> In cases where a sale consists of both tangible goods and intangible services that cannot be unbundled, sales are classified based on whichever accounts for the majority of value. Although intangible outputs are typically associated with activities in certain industry sectors, affiliates in any sector can be providers of services because the classification of services supplied statistics reflects the affiliate's primary industry of sales. Affiliates that are classified in a typically goods-producing industry may have secondary activities in services industries. For example, an affiliate classified in manufacturing may have secondary service activities in wholesale trade or in repair and maintenance.

1. For more detailed information about the computation of services supplied for affiliates in wholesale trade, retail trade, banking, and insurance, see "Revisions and Improvements" in Koncz-Bruner and Flatness, SURVEY OF CURRENT BUSINESS 89 (October 2009): 37.

**Chart 13. Services Supplied to U.S. Persons by Major Area of Ultimate Beneficial Owner, 2008 and 2009**



## Revisions

The revised statistics in this article supersede those presented in the October 2010 *SURVEY OF CURRENT BUSINESS*.

**Cross-border trade.** The revised statistics on cross-border trade in services in this article are consistent, both in value and presentation, with the less detailed statistics by type of service that were published on BEA's Web site in June 2011 and in the July 2011 *SURVEY*.

Cross-border exports and imports are revised for 1999–2009 (table M). In addition to the regular updates of source data, these revisions incorporate a number of improvements, including the results of BEA's financial services benchmark survey, the reclassification of postal services from U.S. government miscellaneous services to other transportation, the removal of U.S. expenditures by foreign nationals working at international organizations from other services within other private services, and revised methodologies for estimating the U.S. expenditures of foreign residents who work in the United States for less than 1 year and for estimating U.S. air carriers' expenditures in foreign ports. The reclassifications of transactions for the rights to distribute film and television recordings from other services within other private services to royalties and license fees and of cruises fares

from passenger fares to travel are also incorporated; these reclassifications are offsetting and have no effect on the revision to total private services.<sup>1</sup>

Exports and imports for 1999–2009 were revised up. For both exports and imports, the largest revisions were in 2009; exports were revised up \$4.0 billion (1 percent), and imports were revised up \$11.1 billion (3 percent). For exports for 1999–2008, the main contributor to the upward revisions was the revised methodology for the U.S. expenditures of foreign workers, which affected other services within other private services. For 2009, the largest contributor to the upward revision was financial services.

For imports for 1999–2008, the main contributor to the upward revisions was other transportation services, reflecting the addition of statistics for postal services and the revisions to the methodology for air port services. For 2009, the main contributor was insurance services.

**Services supplied through affiliates.** The statistics for services supplied through affiliates for 2009 are preliminary. The estimates for 2008 have been revised to incorporate newly available and improved source data, to correct errors and omissions, and to implement other changes resulting from the regular annual revision of the data on the operations of multinational companies.

For 2008, services supplied to foreign persons through foreign affiliates were revised down \$19.9 billion (2 percent) to \$1,116.9 billion. Services supplied to the United States through U.S. affiliates were revised down \$25.8 billion (4 percent), to \$701.6 billion.

**Table M. Revisions to Cross-Border Transactions**

[Billions of dollars]

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Exports</b>											
Revised.....	262.9	281.2	270.8	278.2	287.2	331.7	362.9	404.0	472.6	519.5	487.9
Previously published	261.8	279.5	268.6	275.8	284.9	328.9	358.9	400.1	469.9	517.9	483.9
Amount of revision....	1.2	1.7	2.1	2.4	2.3	2.9	4.0	3.9	2.8	1.6	4.0
<b>Imports</b>											
Revised.....	181.0	203.9	201.0	206.4	218.6	253.7	272.6	307.3	336.9	371.2	346.0
Previously published	180.5	203.4	200.6	206.0	218.2	252.5	270.9	305.3	335.1	365.5	334.9
Amount of revision....	0.5	0.5	0.4	0.4	0.4	1.2	1.7	1.9	1.8	5.7	11.1

1. For additional information, see Mai-Chi Hoang and Erin M. Whitaker, "Annual Revision of the U.S. International Transactions Accounts" *SURVEY OF CURRENT BUSINESS* 91 (July 2011): 47–59.

## Improving the International Services Statistics

The BEA continues to improve its international services statistics, with some changes recently implemented and others underway.<sup>1</sup>

### Implementing new international standards

As part of a broader effort to align BEA's statistics with the new standards for international economic accounting outlined in the sixth edition of the International Monetary Fund's *Balance of Payments and International Investment Position Manual (BPM6)*, BEA implemented changes in classification for several types of services transactions, beginning with statistics for 1999.

**Cruise fares.** Cruise fares are reclassified from passenger fares to travel. Cruise fares cover onboard expenditures for goods and services such as accommodations, meals, and entertainment; this reclassification groups these expenditures with similar types of expenditures for land travel. Because this reclassification is entirely within private services, it does not affect the level of total private services trade.

**Film and television tape distribution.** Fees for the rights to distribute film and television tape recordings (formerly called film and television tape rentals) are reclassified from other services within other private services to royalties and license fees. This reclassification groups these fees with other charges related to intellectual property. Because this reclassification is entirely within private services, it does not impact the level of total private services trade.

**Postal services.** Settlements between the U.S. postal service and foreign postal services for the international delivery of letters, printed material, and parcels are reclassified from U.S. government miscellaneous services to other transportation.<sup>2</sup> Within other transportation, these settlements are classified as 'freight services.' Including postal settlements in other transportation groups them with other transactions related to the in-

ternational shipment of goods and better aligns BEA statistics with *BPM6*'s recommendation to classify government services according to the type of service performed. Because postal services were not previously a component of private services, this reclassification resulted in upward revisions to private services exports and imports.

**Expenditures by foreign nationals working at international organizations in the United States.** These expenditures are excluded from other services within other private services. This change brings BEA's statistics in line with *BPM6* guidelines, which treat foreign nationals employed by international organizations as residents of the country of employment. This change resulted in a downward revision to private services exports.

### Revised methodologies for measuring services

As part of ongoing efforts to improve the services statistics, BEA revised its methodologies for two types of services: expenditures of temporary workers in the United States and air port payments.

**Expenditures of temporary workers in the United States.** The methodology for estimating the domestic expenditures of undocumented immigrant workers temporarily employed in the United States is revised, beginning with statistics for 1999, to more accurately reflect the population and wages of these workers. U.S. expenditures of temporary workers are a component of other services within other private services. The new methodology combines data on the undocumented population in the U.S. labor force from the U.S. Department of Homeland Security and the Pew Hispanic Center with data on their occupations, wage rates, hours worked, along with other variables, from the Pew Hispanic Center, the U.S. Department of Labor, and the U.S. Department of Agriculture.

In addition, new statistics are introduced, beginning with statistics for 1999, for the expenditures of documented workers who enter the United States on temporary work visa arrangements. Data on the number of documented immigrants are available from the U.S. Department of Homeland Security and data on their wages and hours worked are available from the U.S. Department of Labor and the U.S. Department of Agriculture. These changes resulted in upward revisions to receipts of other services within other private services.

**Air port payments.** The methodology for estimating the nonfuel expenditures of U.S. air carriers in foreign ports is revised, beginning with statistics for 2004. The

1. For additional information on the changes made in 2011, see Mai-Chi Hoang and Erin M. Whitaker "Annual Revision of the U.S. International Transactions Accounts" *SURVEY* 91 (July 2011): 47–59. For a summary of prior changes and improvements to the international accounts, including cross-border services statistics, see the "Catalog of Major Revisions to the U.S. International Accounts, 1976–2008" on BEA's Web site at [www.bea.gov/methodologies/revcat/index.cfm](http://www.bea.gov/methodologies/revcat/index.cfm). For changes implemented in 2009 and 2010, see the appendixes on improvements in each October *SURVEY* article in this series.

2. U.S. government miscellaneous services currently includes all international services transactions except postal services conducted by the U.S. government (excluding the military). In the coming years, as part of the broader alignment with international standards, BEA will reclassify additional components of U.S. government miscellaneous services to their appropriate private services category.

## Improving the International Services Statistics

new methodology uses data collected on BEA's quarterly survey of foreign airline operators' revenues and expenses in the United States and quarterly survey of U.S. airline operators' foreign revenues and expenses to more accurately measure the fuel and nonfuel shares of total air port expenditures (payments for fuel are included in the merchandise trade data). The new methodology resulted in upward revisions to air port payments (and downward revisions to merchandise imports).

### Benchmark survey of financial services

Financial services statistics for 2007–2010 incorporate the results of BEA's 2009 Benchmark Survey of Financial Services Transactions Between U.S. Financial Services Providers and Foreign Persons. Unlike the quarterly financial services survey, the benchmark survey does not have a reporting threshold, providing BEA with the basis for estimating transactions that fall below the quarterly services survey thresholds. The incorporation of the data from the benchmark survey resulted in upward revisions to financial services receipts and downward revisions to payments.

### New data sources for travel

In an effort to improve its statistics on travel services, BEA is developing a method that combines new data on credit, debit, and charge card expenditures by U.S. travelers abroad and foreign travelers in the United States with new information on the portion of total travel expenditures made using these cards. BEA has been collecting and analyzing both types of information and plans to publish travel statistics based on this information in an upcoming annual revision.

Currently, BEA estimates travel expenditures using a method based on multiplying the number of travelers by their average expenditures. The number of travelers is

based on data from U.S. immigration authorities. Average expenditures are based on information collected in a survey of travelers leaving the United States that asks departing foreign visitors to recall the amount of expenditures that they made during their trip and asks departing U.S. travelers to predict the amount of expenditures that they plan to make on their upcoming trip.

A method based on credit, debit, and charge card data has the potential to improve the quality of the statistics. Data on card transactions collected from card issuers from their business records provide accurate information on a significant portion of spending by travelers abroad and in the United States. Beginning with the first quarter of 2009, BEA began collecting data on card transactions on the quarterly surveys of cross-border credit, debit, and charge card transactions.

To provide a basis for expanding these data to reflect transactions using other forms of payment—such as cash and travelers' checks—BEA conducted a survey of international travelers to collect information on the proportion of travel expenditures for all forms of payment. The survey was administered in U.S. airports to U.S. residents returning from overseas and to foreign visitors departing the United States.

BEA is reviewing the results of both surveys and designing a method for incorporating the results into the travel statistics.<sup>3</sup> BEA is currently working to refine the methodology to ensure that nontravel-related international credit, debit, and charge card transactions, such as those by foreign students (which are currently captured under education services) and electronic commerce transactions, are excluded from the travel statistics.

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3. For more information see Kristy L. Howell and Ned G. Howenstine, "Modernizing and Enhancing BEA's International Economic Accounts: A Progress Report" *SURVEY 91* (May 2011): 26–38.



## Notes on Cross-Border Trade in Services

The cross-border trade statistics cover both affiliated and unaffiliated transactions between U.S. residents and foreign residents. Affiliated transactions consist of intrafirm trade within multinational companies—specifically, trade between U.S. parent companies and their foreign affiliates and trade between U.S. affiliates and their foreign parent groups. Unaffiliated transactions are with foreigners that neither own, nor are owned by, the U.S. party to the transaction.

### Types of Cross-Border Services

Cross-border trade in private services is classified in the same five broad categories that are used in the U.S. international transactions accounts—travel, passenger fares, other transportation, royalties and license fees, and other private services. For additional information on the transactions included in each service type and the methodologies used to estimate them, see *U.S. International Transaction Accounts: Concepts and Estimation Methods* on BEA's Web site at [www.bea.gov](http://www.bea.gov).

**Travel.** These accounts cover purchases of goods and services by U.S. persons traveling abroad and by foreign travelers in the United States for business or personal

reasons. These goods and services include food, lodging, recreation, gifts, entertainment, cruise fares, local transportation in the country of travel, and other items incidental to a foreign visit. U.S. travel transactions with both Canada and Mexico include border transactions, such as day trips for shopping and sightseeing.

A “traveler” is a person who stays less than a year in a country and is not a resident of that country. Diplomats and military and civilian government personnel are excluded regardless of their length of stay; their expenditures are included in other international transactions accounts. Students' educational expenditures and living expenses and medical patients' expenditures for medical care are included in other private services.

**Passenger fares.** These accounts cover the fares received by U.S. air carriers from foreign residents for travel between the United States and foreign countries and between foreign points and the fares paid by U.S. residents to foreign air carriers for travel between the United States and foreign countries.

**Other transportation.** These accounts cover U.S. international transactions arising from the transportation of goods by ocean, air, land (truck and rail), pipeline,

### Comparing Cross-Border Trade and Services Supplied Through Affiliates

The statistics on cross-border trade and services supplied through affiliates, as published in this article, present services provided to and received from international markets through two distinct channels. Cross-border trade covers transactions between a U.S. resident and a nonresident and are recorded as U.S. exports and U.S. imports in the International Transactions Accounts. Services supplied through affiliates cover transactions between a foreign affiliate of a U.S. company and foreign residents and those between a U.S. affiliate of a foreign company and U.S. residents. These transactions are not considered U.S. exports or U.S. imports because, under the residency principle of balance-of-payments accounting, affiliates of multinational companies are considered residents of the countries where they are located rather than of the country of their owners. As such, the cross-border trade statistics and the services supplied statistics, when taken together, present a more complete picture of services provided to and received from international markets. However, differences in coverage and classification make it difficult to precisely compare cross-border trade in services with services supplied through affiliates. An example of a difference in coverage is the inclusion of distributive services in services supplied through affiliates

but not in the cross-border trade statistics. The distributive services associated with importing and exporting goods is included, but not separately identifiable, in the value of trade in goods. An example of a difference in classification is that the statistics on cross-border trade in services are collected and published by type of service, but those on services supplied through affiliates are collected and published by the affiliate's primary industry. These differences in classification complicate measurement of the total value of specific services supplied to foreign markets.<sup>1</sup>

Despite these difficulties, the large difference between U.S. cross-border transactions in services and those provided through affiliates suggests that the latter is the larger channel of delivery for services both provided and obtained in international markets (chart 1, page 13).

1. For example, computer-related services may be delivered via cross-border services transactions; through affiliates in several industries, including those classified in computer systems design and related services or in other industries, which have secondary activities in computer services; by individuals who are employees of a nonresident employer (the wages of these individuals are recorded in compensation receipts in the International Transactions Accounts); or may be embedded in the value of goods. For more on the delivery of computer-related services in international markets, see [FAQ 556](#) on BEA's Web site at [www.bea.gov](http://www.bea.gov).

## Notes on Cross-Border Trade in Services

and inland waterway carriers to and from the United States and between foreign points. The accounts cover freight charges for transporting exports and imports of goods and expenses that transportation companies incur in U.S. and foreign ports.

Freight charges cover the receipts of U.S. carriers for transporting U.S. exports of goods and for transporting goods between foreign points and the payments to foreign carriers for transporting U.S. imports of goods and settlements between the U.S. postal service and international postal services. (Freight insurance on goods exports and imports is included in insurance in the other private services accounts.) Port services consist of the value of the goods (except fuel, which is included in merchandise trade) and services purchased by foreign carriers in U.S. ports and by U.S. carriers in foreign ports.

**Royalties and license fees.** These accounts cover transactions with nonresidents that involve intangible assets—including patents, trade secrets, and other proprietary rights—that are used in connection with the production of goods; copyrights; trademarks; franchises; rights to reproduce or distribute motion pictures and television recordings; rights to broadcast live events; software licensing fees; and other intellectual property rights.

**Other private services.** These accounts consist of education, financial services, insurance services, telecommunications, business, professional, and technical services, and other services.

Education consists of expenditures for tuition and living expenses by foreign students enrolled in U.S. colleges and universities and by U.S. students studying abroad. This category excludes fees for distance-learning technologies and for educational and training services provided on a contract or fee basis; these transactions are included in training services in table 1.

Financial services include funds management and advisory services, credit card services, fees and commissions on transactions in securities, fees on credit-related activities, and other financial services.

Insurance services consist of the portion of premiums remaining after provision for expected or “normal”

losses, an imputed premium supplement that represents the investment income of insurance companies on funds that are treated as belonging to policyholders, and auxiliary insurance services.<sup>1</sup> Primary insurance mainly consists of life insurance and property and casualty insurance, and each type may be reinsured.<sup>2</sup>

Telecommunications services consist of receipts and payments between U.S. and foreign communications companies for the transmission of messages between the United States and other countries; channel leasing; telex, telegram, and other jointly provided basic services; value-added services, such as electronic mail, video conferencing, and online access services (including Internet backbone services, router services, and broadband access services); and telecommunications support services.

Business, professional, and technical services covers a variety of services, such as legal services, accounting services, and advertising services (see the list in table 1).

The “other services” component of other private services receipts consists mainly of expenditures of foreign residents employed temporarily in the United States; expenditures (except employee compensation) by foreign governments in the United States for services such as maintaining their embassies and consulates; and non-compensation-related expenditures by international organizations, such as the United Nations and the International Monetary Fund, that have operations in the United States. The “other services” component of other private services payments consists primarily of expenditures by U.S. residents temporarily employed abroad.

1. The portion of total premiums required to cover “normal losses” is estimated by BEA on the basis of the relationship between actual losses and premiums averaged over several years. Auxiliary insurance services include agents’ commissions, actuarial services, insurance brokering and agency services, claims adjustment services, and salvage administration services. For a detailed description of the imputed premium supplement and the other components of insurance services, see “Other Private Services” in *U.S. International Transactions Accounts: Concepts and Estimation Methods* (Washington, DC: BEA, June 2011): 30–32.

2. Reinsurance is the ceding of a portion of a premium to another insurer who then assumes a corresponding portion of the risk, allowing insurers to spread risks across two (or more) companies.

## Additional Information

### Data Sources

The statistics in this article are primarily based on data from surveys conducted by the Bureau of Economic Analysis (BEA). Statistics for some services are based on data from a variety of other sources, including U.S. Customs and Border Protection, surveys conducted by other federal government agencies, private sources, and partner countries.

BEA conducts several mandatory surveys of trade in services; some surveys are targeted to specific services industries. For cross-border trade, data on the majority of types of private services are collected on the quarterly surveys of transactions in selected services and intangible assets with foreign persons. All of the surveys of international services and a guide to reporting requirements for the surveys are available on BEA's Web site at [www.bea.gov](http://www.bea.gov). Under "International," click on "Survey Forms and Related Materials"

and then choose the link to "U.S. international services transactions." For additional information on these surveys and on the trade in private services statistics, see *U.S. International Transactions Accounts: Concepts and Methods*, which can be accessed at [www.bea.gov](http://www.bea.gov). Click on "International" and then choose the "Methodologies" tab at the top of the page.

The data on services supplied through majority-owned affiliates are collected on BEA's surveys of the operations of multinational companies. For the methodologies for these surveys, see *Foreign Direct Investment in the United States: Final Results From the 2007 Benchmark Survey* and *U.S. Direct Investment Abroad: Final Results From the 2004 Benchmark Survey*, which are also available on BEA's Web site.

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*Tables 1 through 10.2 follow.*