

U.S. International Services

Cross-Border Trade in 2009 and Services Supplied Through Affiliates in 2008

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THE BUREAU of Economic Analysis (BEA) takes a broad perspective of U.S. international sales and purchases of services in this article by presenting information on (1) services that cross borders and are included in the international transactions accounts as exports and imports and (2) services supplied by multinationals' affiliates through the channel of direct investment. This approach acknowledges the extent to which multinational companies (MNCs) provide services using affiliates located in—but owned outside of—the markets that they serve. It also highlights the importance of proximity to customers in the delivery of services, which leads many companies to serve foreign markets, partly or wholly, through their affiliates. In 2008 (the latest year for which data on services supplied through affiliates are available), as in previous years, the majority of both services supplied and services obtained internationally was through affiliates (table A and chart 1).

In 2009, U.S. exports of services were \$483.9 billion, and U.S. imports were \$334.9 billion, resulting in a surplus of \$149.0 billion on cross-border trade in private services. In 2008, services supplied to foreign markets through U.S. multinational companies' foreign affiliates were \$1,136.9 billion, and services supplied to the United States by foreign multinationals' U.S. affiliates were \$727.4 billion; the difference between services supplied to and from the United States via the channel of direct investment was \$409.5 billion. (See page 31 for a look at recent improvements to the statistics, and see page 32 for information about revisions.)

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			
2007.....	469.9	1,019.2	335.1	683.8
2008.....	517.9	1,136.9	365.5	727.4
2009.....	483.9	n.a.	334.9	n.a.
	Percent change from the preceding year			
2007.....	17.4	14.5	9.7	5.5
2008.....	10.2	11.5	9.1	6.4
2009.....	-6.6	n.a.	-8.4	n.a.

n.a. Not available

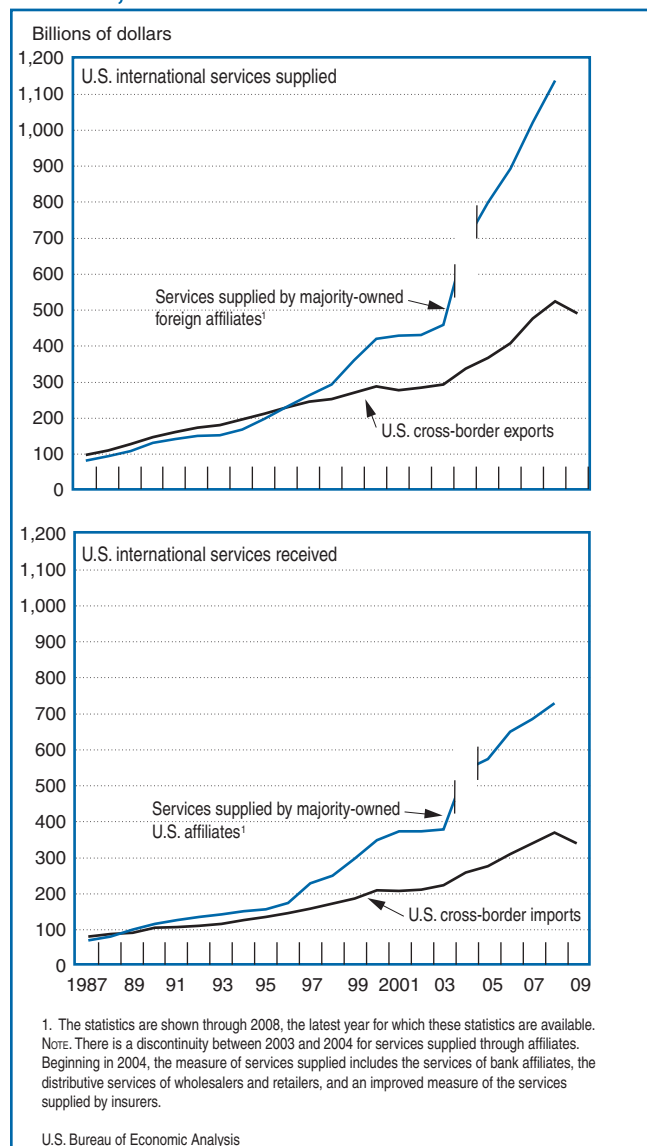
NOTE: Historical statistics for 1986 forward are available on the Web at www.bea.gov/international/xls/tabA.xls.

U.S. Cross-Border Trade in 2009

The \$149.0 billion surplus in cross-border private services trade in 2009 was 2 percent smaller than that in 2008 and was the first decrease since 2003.¹ The rela-

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 transaction accounts. See www.bea.gov/international/bp_web.

Chart 1. U.S. International Services Supplied and Received, 1987–2009



1. The statistics are shown through 2008, 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. Bureau of Economic Analysis

tive stability of the surplus on services stands in contrast to the sharp decline in the deficit on trade in goods, which fell 39 percent in 2009. (See pages 22–26 for details; see also “Types of Cross-Border Services” on pages 34–35.)

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

	Exports		Imports	
	2008	2009	2008	2009
	Percent			
Private services	10.2	-6.6	9.1	-8.4
Travel	13.5	-14.6	4.4	-8.1
Passenger fares	22.5	-15.9	14.5	-20.2
Other transportation	8.4	-19.0	0.4	-22.6
Royalties and license fees	11.0	-4.4	3.4	-2.1
Other private services ¹	7.4	-0.3	14.3	-2.8
	Billions of dollars			
Private services	48.1	-34.1	30.4	-30.5
Travel	13.1	-16.1	3.4	-6.5
Passenger fares	5.8	-5.0	4.1	-6.6
Other transportation	3.4	-8.3	0.2	-12.1
Royalties and license fees	9.3	-4.1	0.9	-0.6
Other private services ¹	16.5	-0.6	21.8	-4.8

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

Cross-border exports of private services decreased 7 percent in 2009, and cross-border imports decreased 8 percent (table B). These annual decreases are the first since 2001, the only other decreases on record, which largely resulted from the impact of the September 11, 2001, terrorist attacks. The global economic downturn that began in late 2007 and continued through 2008 deepened in 2009. The real gross domestic product (GDP) of the United States and many of its major services trading partners decreased (chart 2), likely contributing to the decreases in exports and imports. The rise in the value of the dollar against other major currencies except the yen may also have depressed exports (chart 3).

U.S. trade in all major types of services declined in 2009. For both exports and imports, the declines were sharpest in other transportation and passenger fares. Travel services also decreased sharply, particularly travel exports. Although the percent decreases in other private services exports and imports were small compared with the percent decreases in other service-types, they were the first following decades of continual growth.

By area, Europe remained the largest market for U.S. services exports and the largest source for U.S. services imports, followed by Asia and Pacific. By country, the United Kingdom remained the largest market for U.S. exports, followed by Canada, Japan, and Ireland (table C). Two emerging market countries, China and Brazil, were also among the top 10 markets for U.S. exports. The United Kingdom remained the largest sup-

Comparing Cross-Border Trade and Services Supplied Through Affiliates

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 are 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 complicate the measurement of the total value of specific services supplied to foreign markets.¹

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

1. For example, computer-related services may be delivered via cross-border services transactions; through affiliates in several industries, including computer systems design and related services and computer equipment manufacturing; 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.

plier of cross-border private services to the U.S. market, followed by Bermuda (which primarily supplied insurance services). India was also a top 10 supplier, the only emerging market country in the top 10.

In 2009, trade within multinational companies (affiliated trade) accounted for 28 percent of U.S. services exports and 25 percent of services imports. For exports, the year-to-year decline was smaller for affiliated trade, 2 percent, than for unaffiliated trade, 8 percent. For imports, affiliated trade increased 1 percent, and unaffiliated trade decreased 11 percent. The relative weakness of unaffiliated trade reflected large drops in travel, other transportation services, and passenger fares, all of which are recorded as unaffiliated trade. The relative weakness of unaffiliated trade is also apparent in other private services (receipts and payments) and royalties and license fees (payments), which include both affiliated and unaffiliated trade. For other private services receipts and payments, unaffiliated trade decreased in 2009 while affiliated trade increased; for royalties and license fees payments, the percentage decrease in unaffiliated trade was larger than that for affiliated trade.

Table C. Cross-Border Services Exports and Imports by Type and Country, 2009
[Millions of dollars]

	Total private services	Travel	Passenger fares	Other transportation	Royalties and license fees	Other private services
Exports						
All countries	483,869	93,917	26,424	35,406	89,791	238,332
Total for the 10 largest countries¹	267,486	52,818	16,366	17,949	57,236	123,117
United Kingdom.....	51,042	8,753	2,676	3,150	5,726	30,737
Canada.....	42,005	12,819	3,313	2,716	5,732	17,425
Japan.....	40,869	9,483	3,566	3,191	8,024	16,605
Ireland.....	25,339	1,030	278	283	14,443	9,304
Germany.....	24,271	4,434	1,138	2,450	6,226	10,023
Mexico.....	21,827	5,991	2,055	1,086	1,903	10,792
Switzerland.....	17,540	1,042	320	1,073	8,093	7,012
France.....	16,252	3,193	926	1,370	3,017	7,746
China.....	15,661	2,755	847	1,805	2,179	8,075
Brazil.....	12,680	3,318	1,247	825	1,892	5,398
Other countries	216,383	41,099	10,058	17,457	32,555	115,215
Imports						
All countries	334,917	73,230	25,980	41,586	25,230	168,892
Total for the 10 largest countries¹	194,540	31,135	10,466	18,743	20,961	113,234
United Kingdom.....	38,101	4,365	3,417	2,566	2,605	25,148
Bermuda.....	23,646	238	0	856	27	22,524
Germany.....	22,661	2,382	2,258	3,088	3,331	11,602
Canada.....	22,020	5,909	316	3,714	698	11,383
Japan.....	20,773	3,570	1,268	4,440	5,723	5,772
Switzerland.....	18,031	521	502	1,371	2,561	13,076
Mexico.....	13,517	8,867	702	643	90	3,215
France.....	13,425	2,256	1,384	1,789	3,489	4,507
India.....	12,377	2,402	204	112	117	9,542
Ireland.....	9,989	625	415	164	2,320	6,465
Other countries	140,377	42,095	15,514	22,843	4,269	55,658

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

Services Supplied Through Affiliates in 2008

U.S. international services delivered via the channel of direct investment consists of (1) services supplied to local and other foreign markets by the foreign affiliates of U.S. MNCs and (2) services supplied to the U.S. market by foreign multinationals' U.S. affiliates.² The \$409.5 billion difference between services supplied via affiliates abroad and in the United States in 2008 was 22 percent larger than that in 2007. (See pages 27–30 for details on services supplied through affiliates in 2008.)

Services supplied abroad by U.S. MNCs' foreign affiliates grew 12 percent in 2008, somewhat slower than the 15 percent increase in 2007. Growth in services supplied occurred despite unprecedented turmoil in

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 on the measurement of services supplied, see the box "Measuring Services Supplied Through Affiliates" on page 30.

financial markets and the ensuing slowdown in global economic activity, which affected many of the major markets served by foreign affiliates. In 2008, real GDP growth slowed to less than 1 percent in the euro area and Canada; the economies of both Japan and the United Kingdom contracted (chart 2). In emerging markets, growth also slowed but generally continued to outpace advanced nations, supporting a continued expansion of demand for services supplied by affiliates.

The resilience of services supplied abroad in 2008 reflected a number of factors. The depreciation of the U.S. dollar against certain major currencies lifted the dollar value of services provided by affiliates in some important markets, including Japan and the euro area (chart 3). In addition, high prices for commodities—including oil, natural gas, metals, and agricultural products—continued into 2008, leading to expansions by businesses that extract those commodities. These expansions, in turn, boosted activity in industries that supply services to those businesses, such as engineering and related services, support services for mining, and machinery, equipment, and supplies wholesaling. High and volatile commodity prices during the year also led to improved margins for some wholesalers of those products and increased commissions in finance as a result of larger trading volumes.³

Although the financial crisis severely depressed commissions and fees for many types of financial ser-

3. In this article, "margins" are defined as the portion of goods sales that represents distributive services that are based on the difference between the value of goods sold and the cost of those goods, which is adjusted for inventory changes.

Chart 2. Real GDP by Major Area

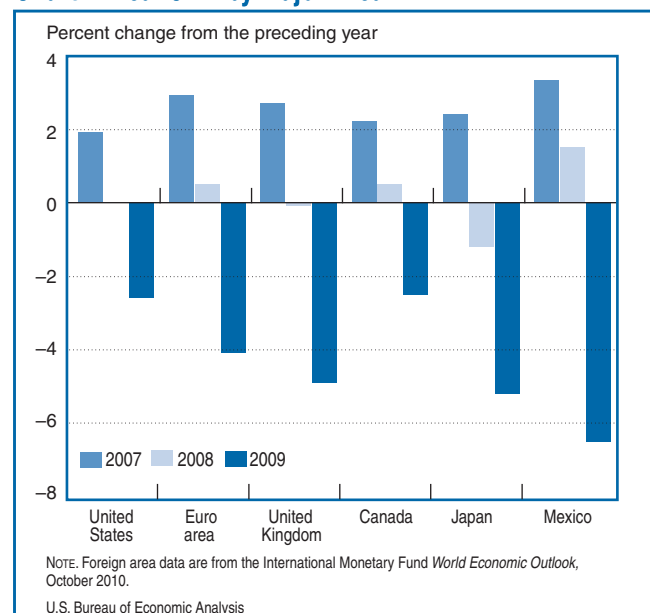
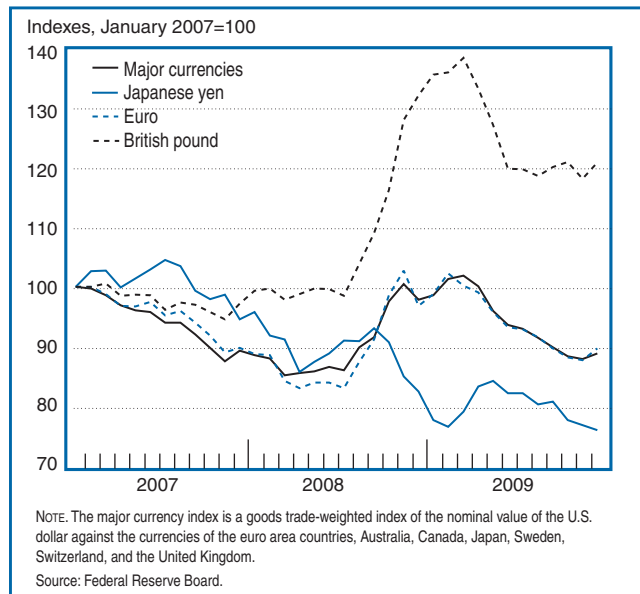


Chart 3. Foreign Currency Price of the U.S. Dollar

vices, some services provided by finance affiliates were boosted by market volatility and investor uncertainty in 2008. Commissions rose on larger client trading volumes in equities and commodities, while fees were boosted by increased demand for securities lending services and higher charges for securities in high demand, such as government bonds.

In addition, demand for some products—including software, certain consumer electronics, and digital content and connectivity—held up despite the slowdown, partly because of new product launches and growing product adoption. This demand supported growth in services supplied across various sectors, including information and wholesale trade (mainly in professional and commercial equipment and in electrical and electronic products). Finally, services supplied by affiliates in some industries—including architectural, engineering and related services and computer systems design and related services—may have been slow to adjust to deteriorating economic conditions in 2008 because of multiyear contracts in which service revenues are recognized as projects are completed or as contracted support or consulting services are rendered.

Services supplied to the United States by the affiliates of foreign MNCs grew 6 percent in 2008, up slightly from 5 percent growth in 2007, despite a halt in U.S. economic growth in 2008. Services provided by recently acquired or established U.S. affiliates led to growth in services supplied across a wide range of sec-

tors as foreign multinationals expanded their U.S. presence through acquisitions, which were often made by their existing affiliates. Various factors that supported growth in services supplied by U.S. MNCs' foreign affiliates were also at work in the United States. High and volatile prices for commodities, particularly petroleum and metals, boosted services supplied through improved margins for wholesalers of these products. Although financial market disruptions depressed demand for some financial services, other financial services increased as U.S. clients sought stability. In finance, higher client trading volumes boosted commissions, and some banks' services grew along with customer account balances on which service revenues are based; the increase in bank balances may have reflected a shift in some investors' portfolios from riskier assets to bank deposits and increases in certain types of lending, perhaps as business customers secured bank financing in light of credit market conditions. Improved spreads on implicitly priced financial services also contributed.

To some extent, differences between fiscal reporting years and calendar years may also have contributed to growth in services supplied by affiliates in some industries despite worsening economic conditions in 2008. For example, distributive and other services incidental to motor vehicle and motor vehicle parts wholesaling grew in 2008 despite weakened demand in the U.S. auto market, especially in the latter part of the year. To some extent, this could reflect the use of March 2008 fiscal year ending dates rather than December 2008 ending dates by several affiliates with these activities.⁴

4. Multinational companies are permitted to report their financial and operating data to BEA on a fiscal year basis that is consistent with the way that they keep their books. Data reported for the fiscal year ended in March 2008 would cover April 2007 through March 2008; the remaining 9 months of calendar year 2008 would be reportable in the fiscal year that ended in March 2009.

Data Availability

The cross-border trade statistics for 1986–2009 and the statistics on services supplied through majority-owned affiliates for 1989–2008 can be downloaded from BEA's Web site. To access these files, go to www.bea.gov and, under "International," click on "International Services," and then select "International Services Statistics."

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

Table D. Travel and Passenger Fare Receipts and Payments

[Millions of dollars]

	2007	2008	2009	Change 2008–2009
Travel receipts	96,896	109,976	93,917	-16,059
Receipts by country:				
Total receipts for the five largest countries.....	47,192	50,885	41,480	-9,405
Canada.....	13,036	14,667	12,819	-1,848
Japan.....	11,019	10,772	9,483	-1,289
United Kingdom.....	11,936	12,978	8,753	-4,225
Mexico.....	7,194	7,326	5,991	-1,335
Germany.....	4,007	5,142	4,434	-708
Other countries.....	49,704	59,091	52,437	-6,654
Travel payments	76,331	79,726	73,230	-6,496
Payments by country:				
Total payments for the five largest countries.....	30,473	30,174	25,813	-4,361
Mexico.....	10,316	10,236	8,867	-1,369
Canada.....	7,430	6,879	5,909	-970
United Kingdom.....	5,989	5,735	4,365	-1,370
Japan.....	3,379	3,745	3,570	-175
Italy.....	3,359	3,579	3,102	-477
Other countries.....	45,858	49,552	47,417	-2,135
Passenger fare receipts	25,646	31,404	26,424	-4,980
Receipts by country:				
Total receipts for the five largest countries.....	13,007	14,772	12,857	-1,915
Japan.....	3,451	3,782	3,566	-216
Canada.....	3,378	3,664	3,313	-351
United Kingdom.....	3,002	3,738	2,676	-1,062
Mexico.....	2,331	2,416	2,055	-361
Brazil.....	845	1,172	1,247	75
Other countries.....	12,639	16,632	13,567	-3,065
Passenger fare payments	28,437	32,563	25,980	-6,583
Payments by country:				
Total for the five largest countries.....	12,220	13,521	10,192	-3,329
United Kingdom.....	4,516	4,794	3,417	-1,377
Germany.....	3,078	3,346	2,258	-1,088
Korea, Republic of.....	1,376	1,696	1,820	124
France.....	1,675	1,935	1,384	-551
Taiwan.....	1,575	1,750	1,313	-437
Other countries.....	16,217	19,042	15,788	-3,254

Travel receipts decreased 15 percent, reflecting a 9 percent decline in the number of foreign travelers visiting the United States and a 6 percent decline in their average expenditures per visit. The increase in the value of the U.S. dollar against other major currencies (chart 3), which increased the cost of travel for foreign travelers, may have contributed to the decrease in travel receipts, which fell more sharply than payments.

Travel receipts from most “other” countries declined except for a few emerging market countries, including Brazil and China. In general, countries outside of the top five had smaller percentage decreases than those in the top five.

Travel payments decreased 8 percent, reflecting a 5 percent decrease in the number of U.S. travelers going abroad and a 3 percent decrease in their average expenditures.

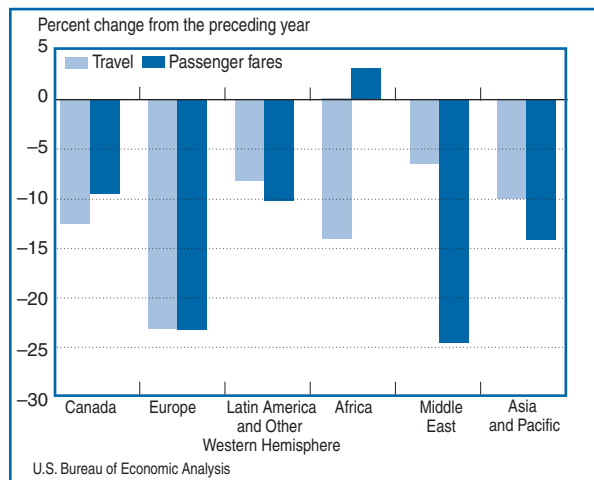
Travel payments to Mexico continued to decrease from the peak in 2007 as payments for travel to the border and the interior of Mexico decreased. The decrease may have been attributable to the influenza outbreak that began in April 2009 and State Department warnings about drug-related violence.

Passenger fare receipts decreased 16 percent, mostly because of a fall in average airfares related to a drop in fuel prices and a decrease in the number of business travelers. The total number of overseas visitors to the United States decreased, but the number of visitors flying on U.S. carriers remained stable because the share of travelers flying on U.S. carriers increased. In 2009, 52 percent of overseas visitors used U.S. carriers, compared with 49 percent in 2008.

Passenger fare receipts from Brazil increased. The number of Brazilian passengers on U.S. carriers increased 19 percent as financial troubles among some Brazilian airlines and a recently implemented Open Skies agreement created opportunities for U.S. carriers to expand in the Brazilian market.

Passenger fare payments decreased 20 percent, reflecting a decrease in average airfares; the number of U.S. travelers on foreign carriers increased 1 percent.

Chart 4. Travel and Passenger Fare Receipts by Area, 2009



U.S. Cross-Border Trade—Other Transportation

Table E. Other Transportation Receipts and Payments

[Millions of dollars]

	2007	2008	2009	Change 2008– 2009
Other transportation receipts	40,315	43,714	35,406	-8,308
Freight services	18,944	22,153	17,247	-4,906
Ocean	4,406	4,847	3,244	-1,603
Air	11,124	13,486	10,569	-2,917
Other	3,414	3,820	3,433	-387
Port services	21,371	21,561	18,159	-3,402
Ocean	11,451	12,883	10,335	-2,548
Air	9,551	8,403	7,554	-849
Other	369	275	271	-4
Receipts by country:				
Total receipts for the five largest countries	15,855	16,610	13,312	-3,298
Japan	3,808	4,218	3,191	-1,027
United Kingdom	3,986	4,042	3,150	-892
Canada	3,049	3,101	2,716	-385
Germany	2,694	2,968	2,450	-518
China	2,318	2,281	1,805	-476
Other countries	24,460	27,104	22,094	-5,010
Other transportation payments	53,513	53,702	41,586	-12,116
Freight services	42,672	42,046	29,341	-12,705
Ocean	32,856	32,469	21,633	-10,836
Air	6,383	6,179	4,687	-1,492
Other	3,433	3,398	3,021	-377
Port services	10,841	11,656	12,245	589
Ocean	1,863	1,958	1,554	-404
Air	8,896	9,620	10,638	1,018
Other	82	78	53	-25
Payments by country:				
Total payments for the five largest countries	21,577	20,735	16,100	-4,635
Japan	6,473	6,324	4,440	-1,884
Canada	4,066	4,264	3,714	-550
Germany	4,069	3,899	3,088	-811
United Kingdom	2,416	2,935	2,566	-369
Korea, Republic of	4,553	3,313	2,292	-1,021
Other countries	31,936	32,967	25,486	-7,481

Other transportation receipts decreased 19 percent, the first decrease since 2001, mainly reflecting a 12 percent drop in the volume of U.S. goods exports. Because transportation receipts arise largely from the transportation of goods, they are highly correlated with U.S. goods exports (chart 5). A decrease in freight rates also contributed.

Ocean freight receipts decreased 33 percent, mainly because of a decrease in receipts of U.S. carriers for transporting goods between two foreign ports.

Air freight receipts decreased, mainly reflecting a 15 percent decline in the volume of goods exports transported by U.S. air carriers.

Ocean port receipts fell 20 percent, reflecting the smaller volume of U.S. goods exports and imports; foreign vessels purchase U.S. port services both when arriving with imported goods and when departing with exported goods.

Other transportation payments dropped 23 percent, led by a 33 percent decrease in ocean freight payments. The decrease is the first substantial change in other transportation payments in 3 years. A 16 percent decrease in the volume of U.S. goods imports was the main contributor to the drop in payments. Like receipts, other transportation payments largely arise from the transportation of goods and are highly correlated with U.S. goods imports (chart 6).

Payments to Japan decreased 30 percent, a sharper decrease than total payments, mostly reflecting a 38 percent decrease in ocean freight.

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

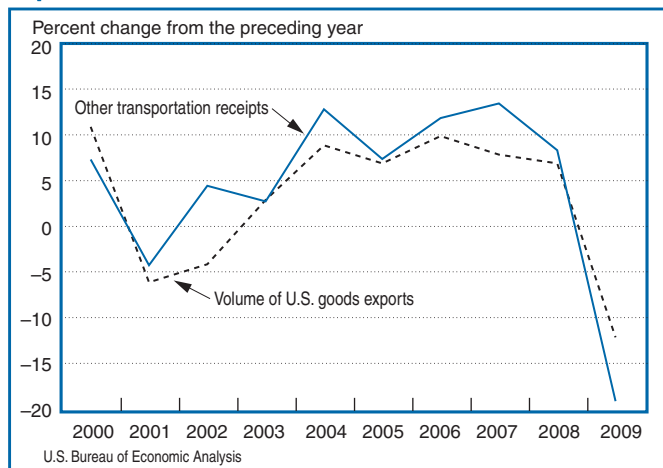
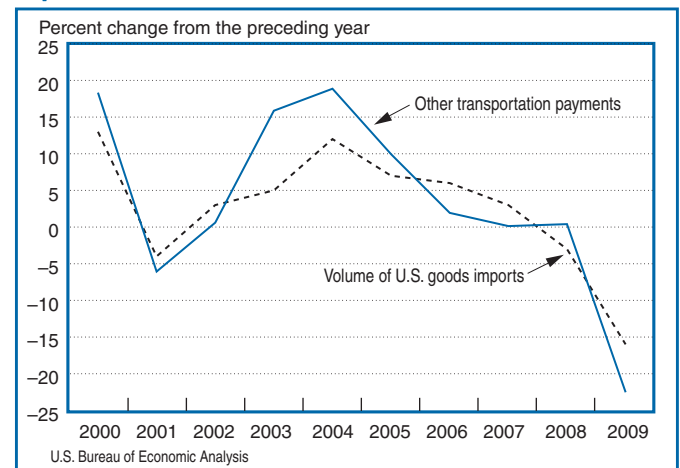


Chart 6. Other Transportation Payments and U.S. Goods Imports



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

Table F. Royalties and License Fees Receipts and Payments

[Millions of dollars]

	2007	2008	2009	Change 2008–2009
Royalties and license fees receipts	84,580	93,920	89,791	-4,129
Industrial processes	36,360	39,882	35,630	-4,252
Trademarks	11,624	12,414	11,638	-776
General use computer software	30,466	34,933	36,030	1,097
Other	6,130	6,692	6,492	-200
Receipts by affiliation:				
Unaffiliated receipts	26,929	30,424	30,974	550
Affiliated receipts	57,651	63,497	58,817	-4,680
By U.S. parents to their foreign affiliates	54,410	59,792	55,430	-4,362
By U.S. affiliates from their foreign parent groups	3,241	3,705	3,387	-318
Receipts by country:				
Total receipts for the five largest countries	37,067	42,889	42,518	-371
Ireland	9,720	13,992	14,443	451
Switzerland	7,447	8,046	8,093	47
Japan	7,261	7,419	8,024	605
Germany	6,742	7,555	6,226	-1,329
Canada	5,897	5,877	5,732	-145
Other countries	47,513	51,031	47,273	-3,758
Royalties and license fees payments	24,931	25,781	25,230	-551
Industrial processes	16,660	16,230	16,464	234
Trademarks	2,251	2,414	2,400	-14
General use computer software	4,799	4,938	5,004	66
Other	1,221	2,200	1,362	-838
Payments by affiliation:				
Unaffiliated payments	6,126	7,134	6,880	-254
Affiliated payments	18,805	18,647	18,350	-297
By U.S. parents to their foreign affiliates	3,836	4,099	4,508	409
By U.S. affiliates to their foreign parent groups	14,969	14,548	13,843	-705
Payments by country:				
Total receipts for the five largest countries	18,020	17,760	17,709	-51
Japan	7,117	6,138	5,723	-415
France	3,276	3,454	3,489	35
Germany	3,024	3,016	3,331	315
United Kingdom	2,711	2,779	2,605	-174
Switzerland	1,892	2,373	2,561	188
Other countries ¹	6,911	8,021	7,521	-500

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

Receipts of royalties and license fees decreased 4 percent, the first decrease since 2001.

Fees that U.S. firms received from their foreign affiliates for the use of rights related to industrial processes and products (including patents) dropped sharply, reflecting the decrease in manufacturing activity due to the global recession.

Fees received from the German affiliates of U.S. firms for the use of rights related to industrial processes declined because of a drop in manufacturing activity, particularly automotive production.

Payments for royalties and license fees decreased 2 percent after increasing for 2 years. The decrease was more than accounted for by a decrease in "other".

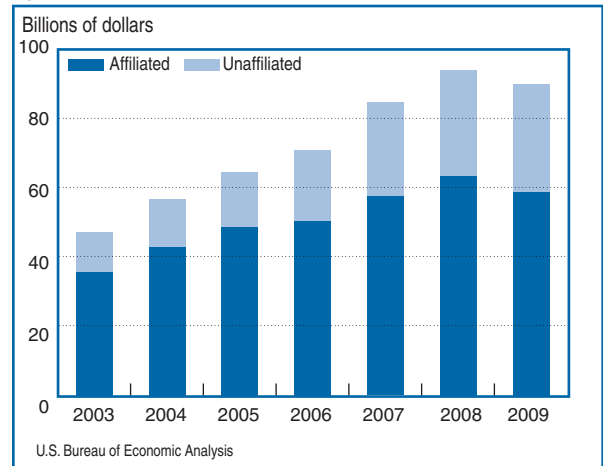
The decrease in "other" payments was mainly due to a drop in payments for the rights to broadcast and record live events. Such payments spike in years when there are major international sporting events; such a spike occurred in 2008 when U.S. firms broadcast the Summer Olympic Games.

Payments by U.S. affiliates to foreign parent groups in Japan for the rights related to industrial processes dropped sharply in 2009, reflecting large declines in automobile production in the United States.

Trends in Royalties and License Fees

The surplus on royalties and license fees was \$64.6 billion in 2009, a 5 percent (\$3.6 billion) decrease from 2008 and the first decrease in the surplus since 2001. Imports rose faster than exports in the late 1990s and early 2000s, but over the past 5 years, exports have risen faster. In 2008, the surplus became the largest contributor, among the major types of services, to the overall services surplus. However, in 2009, it returned to second place as the surplus on other private services surpassed it. Affiliated transactions account for the majority of royalties and license fees receipts partly because it is easier for firms to exercise control over the distribution and use of their intellectual property within affiliated relationships. However, unaffiliated receipts have been growing faster than affiliated receipts in recent years (chart 7).

Chart 7. Royalties and License Fee Receipts by Affiliation



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

Table G. Other Private Services Receipts

[Millions of dollars]

	2007	2008	2009	Change 2008–2009
Other private services receipts	222,434	238,932	238,332	-600
Education	15,956	17,938	19,911	1,973
Financial services.....	61,034	60,798	55,446	-5,352
Securities transactions	19,037	19,566	18,704	-862
Management and advisory services.....	26,232	23,683	18,789	-4,894
Credit card and credit-related services.....	5,749	6,434	6,575	141
Other financial services.....	10,016	11,114	11,379	265
Insurance services	10,841	13,538	14,651	1,113
Telecommunications.....	8,239	9,425	9,284	-141
Business, professional, and technical services.....	103,765	115,229	116,629	1,400
Computer and information services.....	11,953	13,354	13,378	24
Management, consulting, and public relations services	27,165	29,091	28,191	-900
Research, development, and testing services.....	15,625	17,421	18,234	813
Operational leasing.....	7,120	7,751	7,718	-33
Other business, professional, and technical services	41,902	47,612	49,108	1,496
Installation, maintenance, and repair of equipment	8,762	9,498	11,187	1,689
Legal services.....	6,400	7,327	7,256	-71
Architectural, engineering, and other technical services.....	5,229	5,914	5,687	-226
Industrial engineering services.....	3,805	3,783	4,976	1,193
Trade-related services	5,168	6,129	4,234	-1,895
Other services.....	22,599	22,004	22,411	407
Film and television tape rentals	14,423	13,455	13,809	354
Other	8,176	8,549	8,602	53
Receipts by affiliation:				
Unaffiliated receipts.....	147,006	161,975	160,159	-1,816
Affiliated receipts.....	75,428	76,957	78,172	1,215
By U.S. parents from their foreign affiliates	52,777	52,559	53,636	1,077
By U.S. affiliates from their foreign parent groups.....	22,651	24,398	24,536	138
Receipts by country:				
Total receipts for the five largest countries	82,265	86,255	85,582	-673
United Kingdom.....	31,282	32,141	30,737	-1,404
Canada.....	17,017	17,348	17,425	77
Japan.....	14,057	15,667	16,605	938
Mexico.....	10,256	10,687	10,792	105
Germany.....	9,653	10,412	10,023	-389
Other countries.....	140,169	152,677	152,750	73

Education receipts increased 11 percent in 2009, the third year of uninterrupted growth. Average tuition increased 13 percent, and the number of foreign students increased 8 percent.

Receipts for financial management and advisory services fell 21 percent in 2009. The decrease in management services reflected a drop in performance fees earned by managers, and the decrease in advisory services reflected a drop in merger and acquisition activity and associated fees.

Insurance receipts rose 8 percent, continuing a trend that began in 2002. Premiums increased 4 percent as both primary insurance and reinsurance increased.

Management and consulting services (including allocated expenses, which are funds received by a parent company from its affiliates for general overhead and expenses) decreased, mostly related to a 36 percent drop in receipts from Switzerland.

Installation, maintenance, and repairs increased mainly because of a 23 percent increase in receipts for installation and maintenance services. Repairs increased 10 percent.

Trade-related services receipts, which include merchandising services, decreased 31 percent.

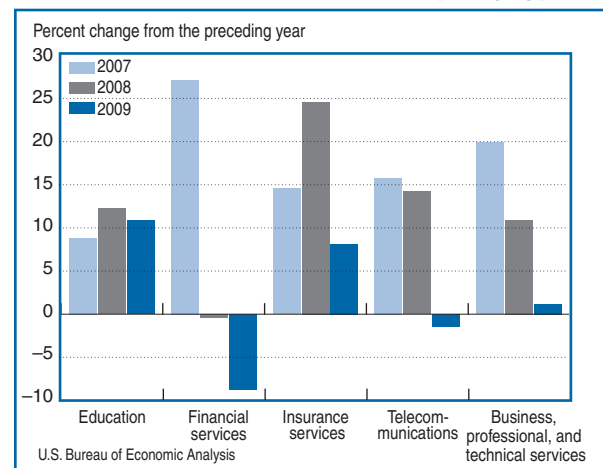
Affiliated receipts by U.S. parents increased 2 percent. Affiliated receipts for research, development, and testing services accounted for most of the increase.

Other private services receipts to the United Kingdom decreased largely because of decreases in financial services and business, professional, and technical services.

Trends in Other Private Services Receipts

While all the major components of other private services receipts either grew more slowly or shrank in 2009, the change for financial services was particularly sharp (chart 8). After growing 27 percent in 2007, financial services were flat in 2008 and then fell 9 percent in 2009, mirroring the expansion and then the increasing turmoil and contraction of the world financial markets. In contrast, receipts for education services have been relatively stable. The stability of education receipts reflects the long-term commitment of foreign students in the United States, who generally receive their degrees from a U.S. institution, and the continuing draw of U.S. colleges and universities, particularly for students pursuing advanced degrees.

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]

	2007	2008	2009	Change 2008–2009
Other private services payments	151,894	173,686	168,892	-4,794
Education	4,725	5,173	5,583	410
Financial services	19,793	20,154	16,454	-3,700
Securities transactions	3,825	5,466	4,864	-602
Management and advisory services	7,479	6,745	6,414	-331
Credit card and credit-related services	827	920	1,121	201
Other financial services	7,662	7,024	4,054	-2,970
Insurance services	47,517	56,107	55,233	-874
Telecommunications	7,272	7,254	7,048	-206
Business, professional, and technical services	70,413	82,537	81,995	-542
Computer and information services	15,112	16,803	17,181	378
Management, consulting, and public relations services	19,466	22,348	22,250	-98
Research, development, and testing services	13,032	16,279	15,753	-526
Operational leasing	937	927	1,078	151
Other business, professional, and technical services	21,867	26,180	25,733	-447
Installation, maintenance, and repair of equipment	5,209	5,902	6,168	266
Industrial engineering services	2,737	3,630	3,679	49
Advertising services	2,161	2,200	2,339	138
Accounting, auditing, and bookkeeping services	1,782	2,435	2,178	-257
Legal services	1,536	1,989	1,700	-289
Other services	2,174	2,461	2,579	118
Film and television tape rentals	1,548	1,834	1,938	104
Other	626	627	640	14
Payments by affiliation:				
Unaffiliated payments	93,909	108,167	101,913	-6,254
Affiliated payments	57,984	65,520	66,978	1,458
By U.S. parents to their foreign affiliates	39,539	46,313	46,687	374
By U.S. affiliates to their foreign parent groups	18,445	19,207	20,291	1,084
Payments by country:				
Total payments for the five largest countries	76,524	85,418	83,733	-1,685
United Kingdom	24,816	27,571	25,148	-2,423
Bermuda	17,295	21,528	22,524	996
Switzerland	11,255	10,660	13,076	2,416
Germany	10,865	12,914	11,602	-1,312
Canada	12,293	12,745	11,383	-1,362
Other countries	75,370	88,268	85,159	-3,109

Education payments increased 8 percent in 2009, mainly reflecting an increase in the number of U.S. students studying abroad.

Financial services decreased; the decrease was led by a decrease in “other” financial services and mostly related to a significant drop in securities lending, which decreased 73 percent in 2009 after decreasing 23 percent in 2008. Declines in payments for brokerage services and underwriting services were partly offset by an increase in credit-related services.

Payments for insurance services decreased 2 percent, the first decrease since 2005; both reinsurance premiums and primary insurance premiums decreased. Although premiums normally increase after a disaster, such as Hurricane Ike in 2008, in 2009, an increase in supply driven by the recovery of insurers’ capital base and a decrease in demand driven by the continuing recession produced a soft market and a decrease in premiums.

Research, development, and testing services decreased, led by a 19 percent decline in payments to unaffiliated companies.

Affiliated other private services increased, mainly reflecting a 14 percent increase in management and consulting services (including allocated expenses) payments by U.S. affiliates to their foreign parent groups.

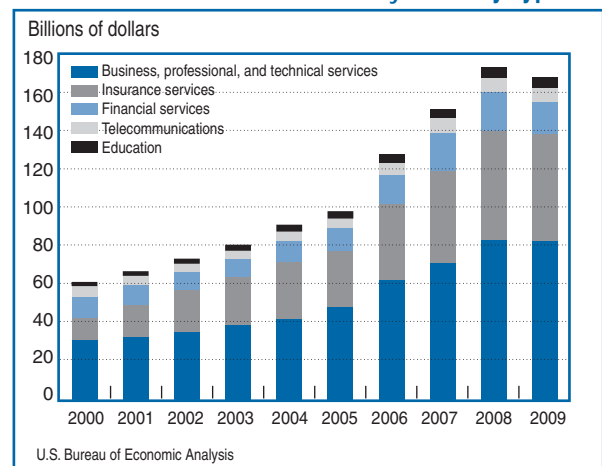
Payments to the United Kingdom decreased; more than half of the decrease was due to a decrease in unaffiliated financial services payments.

Payments to Switzerland increased, mainly reflecting increases in insurance payments (78 percent of the increase) and business, professional, and technical services payments (21 percent of the increase).

Trends in Other Private Services Payments

Insurance services are an increasingly important component of other private services payments (chart 9). In 2009, insurance accounted for 33 percent of other private services payments, nearly double the 18 percent share it accounted for in 2000. In addition to the growing importance of insurance payments as a component, those nations that serve as international centers for insurance have also increased in importance as providers of other private services to the United States. Most notable is Switzerland, which rose from being the ninth largest provider of other private services in 2000 to the third largest in 2009. The importance of Bermuda also increased; payments to Bermuda accounted for 13 percent of other private services payments in 2009, up from 8 percent in 2000.

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]

	2007	2008	Change 2007-2008
All industries	1,019,225	1,136,877	117,652
Manufacturing.....	40,995	43,354	2,359
Wholesale trade	214,161	234,825	20,664
Professional and commercial equipment and supplies	68,562	77,736	9,174
Retail trade.....	58,577	63,347	4,770
Information	(D)	(D)	(D)
Finance and insurance.....	215,531	241,207	25,676
Finance.....	160,241	175,925	15,684
Insurance carriers and related activities.....	55,290	65,282	9,992
Real estate and rental and leasing.....	42,810	48,527	5,717
Professional, scientific, and technical services	(D)	(D)	(D)
Architectural, engineering, and related services	17,359	22,633	5,274
Computer systems design and related services.....	(D)	(D)	(D)
Management, scientific, and technical consulting	16,682	15,603	-1,079
Advertising and related services	14,924	14,192	-732
Other industries.....	203,977	237,260	33,283
Mining.....	22,469	29,565	7,096
Utilities.....	(D)	(D)	(D)
Transportation and warehousing	(D)	(D)	(D)
Management of companies and enterprises.....	3,418	6,822	3,404
Administration, support, and waste management	(D)	(D)	(D)
Accommodations and food services.....	(D)	37,030	(D)

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

In wholesale trade, increases were spread among wholesalers of various products, especially professional and commercial equipment and supplies, electrical and electronic goods, petroleum, and machinery, equipment, and supplies. The increase reflects greater distributive services due to both improved margins and larger sales volumes.

In information, services supplied increased. Increases were widespread geographically and by subindustry. Publishing industries led the increases as strong demand for newly released and existing software products boosted services supplied.

In finance, certain commissions and fees grew despite turmoil in global financial markets due to strong demand for services associated with equity trading, commodities trading, and securities lending. Newly established or acquired affiliates also contributed to the increase.

In insurance, growth in Asia and Pacific was particularly strong, reflecting premium growth from expanded market penetration and favorable exchange rates.

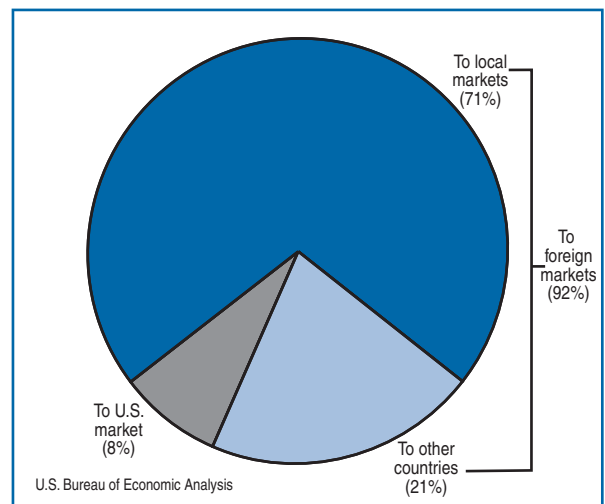
In professional, scientific, and technical services, services supplied increased. Several industries contributed to the increase, especially architectural, engineering and related services, where geographically widespread projects in infrastructure, power, and oil and gas continued at a strong pace.

In mining, services were boosted by strong demand for drilling services and, thus, higher rig rates.

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

Services supplied to foreign markets through the channel of direct investment comprise services provided by U.S. multinationals' foreign affiliates to the local market and to other foreign markets. Transactions with parties in the same country tend to dominate affiliates' transactions in services and in goods. In 2008, transactions with parties in the local market accounted for 71 percent of services, and 55 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 92 percent of affiliates' \$1,234.4 billion in services supplied worldwide (chart 10).

Chart 10. Services Supplied Worldwide by U.S. Multinational Companies Through Their Majority-Owned Foreign Affiliates, 2008



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]

	2007	2008	Change 2007-2008
All countries	1,019,225	1,136,877	117,652
Canada	101,450	112,097	10,647
Europe	581,161	638,050	56,889
France	46,208	49,019	2,811
Germany	54,149	59,898	5,749
Ireland	57,453	67,183	9,730
Netherlands.....	39,071	44,088	5,017
Switzerland.....	53,576	57,820	4,244
United Kingdom.....	214,005	228,861	14,856
Latin America and Other Western Hemisphere	108,176	118,515	10,339
South and Central America	74,975	83,914	8,939
Brazil.....	21,071	24,112	3,041
Mexico	29,828	32,088	2,260
Other Western Hemisphere	33,201	34,601	1,400
Bermuda.....	12,760	(D)	(D)
Africa.....	11,475	11,296	-179
Middle East	8,075	10,808	2,733
Asia and Pacific.....	208,887	246,111	37,224
Australia	36,552	39,781	3,229
China.....	13,646	19,514	5,868
Hong Kong	26,468	27,062	594
Japan.....	56,997	69,794	12,797
Korea, Republic of.....	10,059	11,005	946
Singapore.....	26,997	32,709	5,712

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

In some important markets served by affiliates, including Japan and the euro area, depreciation of the U.S. dollar against certain currencies boosted the dollar value of services supplied.

In Canada, increases were spread across many industries, led by utilities.

In Germany, increases were widespread, with affiliates in wholesale trade contributing most to the change, especially wholesalers of professional and commercial equipment and supplies.

In Ireland, new affiliates boosted services supplied in some sectors, including real estate and rental and leasing. Growth in existing affiliates contributed to increases in industries where intellectual property plays an important role, including information.

In the United Kingdom, affiliates in finance contributed most to the increase as commissions and fees earned by existing affiliates grew and new affiliates were established.

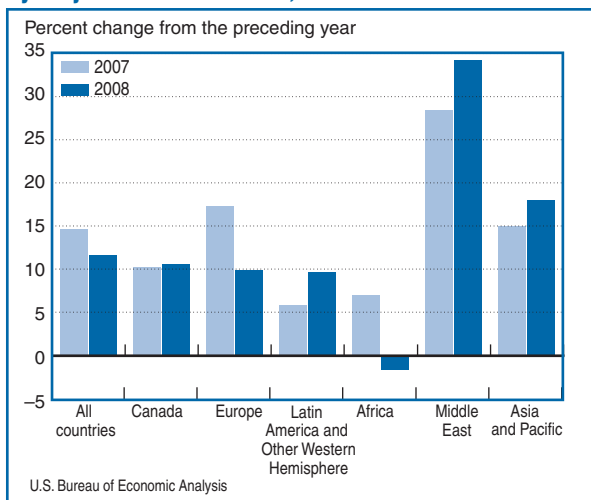
The Middle East had the strongest percentage increase for the third consecutive year. Affiliates in professional, scientific, and technical services had particularly strong growth.

In China, increases were spread across industries and were largely attributable to transactions with local unaffiliated customers. Wholesale trade affiliates contributed most to the change.

In Japan, affiliates in finance and insurance led the increase as new customer growth in insurance fueled an increase in premiums earned. Improved margins boosted services in wholesale trade.

In Singapore, increases were spread across several industries, led by strong growth in wholesale trade.

Chart 11. Services Supplied to Foreign Persons by Major Area of Affiliate, 2007 and 2008



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)

	2007	2008	Change 2007–2008
All industries	683,840	727,371	43,531
Manufacturing.....	72,105	76,404	4,299
Wholesale trade	156,769	163,944	7,175
Professional and commercial equipment and supplies	16,758	15,570	-1,188
Retail trade.....	42,086	34,800	-7,286
Information	56,466	61,156	4,690
Publishing industries	16,672	15,564	-1,108
Telecommunications	25,144	29,919	4,775
Finance and insurance.....	135,001	144,378	9,377
Finance.....	90,560	96,717	6,157
Insurance carriers and related activities.....	44,441	47,662	3,221
Real estate and rental and leasing.....	20,149	21,173	1,024
Professional, scientific, and technical services	62,991	70,305	7,314
Architectural, engineering, and related services	10,267	11,943	1,676
Computer systems design and related services.....	17,209	21,025	3,816
Advertising and related services	23,654	25,435	1,781
Other industries.....	138,274	155,209	16,935
Mining.....	9,822	13,049	3,227
Utilities.....	13,041	17,596	4,555
Transportation and warehousing	42,925	48,493	5,568
Management of companies and enterprises.....	125	91	-34
Administration, support, and waste management.....	32,391	32,320	-71
Accommodations and food services.....	24,267	25,779	1,512

MNCs Multinational companies

In wholesale trade, increases were led by wholesalers of petroleum and petroleum products and metals and minerals as trade margins improved.

In information, telecommunications led the increase, reflecting subscriber base growth as well as the addition of services supplied by companies that were acquired in 2008 or late 2007, which are first recorded for the full year in 2008.

In finance, services supplied were boosted by companies that were acquired or established, mainly by existing affiliates, in 2008 or in late 2007. In addition, higher trading volumes contributed to growth in commissions while higher balances at banks boosted financial intermediation services.

In insurance, services provided by newly acquired firms contributed to the increase. Growth in premiums earned at existing affiliates also contributed.

In professional, scientific, and technical services, U.S. demand held up despite the economic downturn. The increase was led by affiliates in computer systems design and related services.

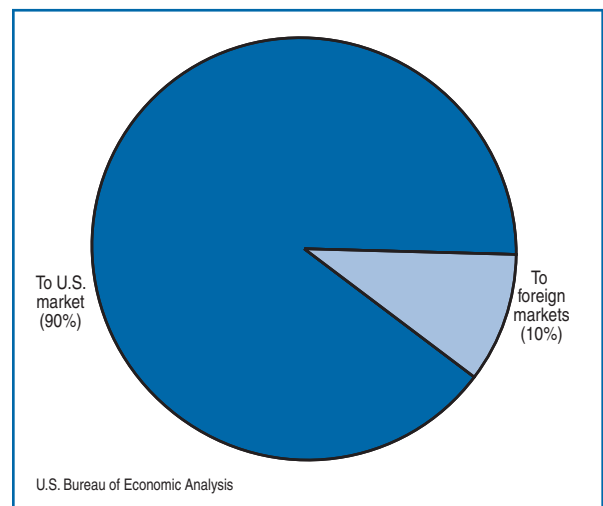
In transportation and warehousing, services grew in most subindustries, mainly as a result of firm-specific factors, such as business reorganizations and expansions of U.S. operations.

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 2008, 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. In 2008, local market transactions accounted for 90 percent of U.S. affiliates' \$812.1 billion in services supplied worldwide (chart 12); local transactions also accounted for 90 percent of goods supplied.¹

1. The shares of local and foreign sales of goods for U.S. affiliates of foreign companies have been estimated and are based on exports of goods shipped, because data on these affiliates' sales of goods are not collected by destination. In 2008, exports accounted for 10 percent of goods supplied by U.S. affiliates.

Chart 12. Services Supplied Worldwide by Foreign Multinational Companies Through Their Majority-Owned U.S. Affiliates, 2008



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]

	2007	2008	Change 2007-2008
All countries	683,840	727,371	43,531
Canada	65,956	67,012	1,056
Europe	429,476	447,622	18,146
Belgium	13,270	12,238	-1,032
France	68,603	73,291	4,688
Germany	97,486	92,649	-4,837
Netherlands.....	44,595	45,144	549
Spain	3,827	8,514	4,687
Switzerland.....	51,062	53,478	2,416
United Kingdom.....	116,506	127,951	11,445
Latin America and Other Western Hemisphere	44,011	50,663	6,652
South and Central America.....	7,408	7,433	25
Other Western Hemisphere	36,604	43,231	6,627
Bermuda.....	25,603	30,478	4,875
Africa.....	1,062	1,054	-8
Middle East	10,958	14,352	3,394
Asia and Pacific.....	120,898	133,615	12,717
Australia	10,417	12,001	1,584
Hong Kong	3,688	4,060	372
India	5,159	6,421	1,262
Japan.....	91,980	99,492	7,512
Korea, Republic of.....	3,833	5,674	1,841
United States ¹	11,479	13,052	1,573

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, increases were broadly based by industry and were boosted by acquisitions.

For Germany, services decreased in several industries, reflecting selloffs, discontinued services operations, and generally weakened demand. The decrease was led by affiliates in manufacturing.

For Spain, services more than doubled, largely as a result of acquisitions. Affiliates in finance and insurance led the increases.

For the United Kingdom, services grew strongly, with the largest dollar increase by country. Affiliates with owners in the United Kingdom continued to be the largest providers of services to the U.S. market. Services grew because of acquisitions by existing affiliates and growth in contract awards. Affiliates in finance and insurance led the increases.

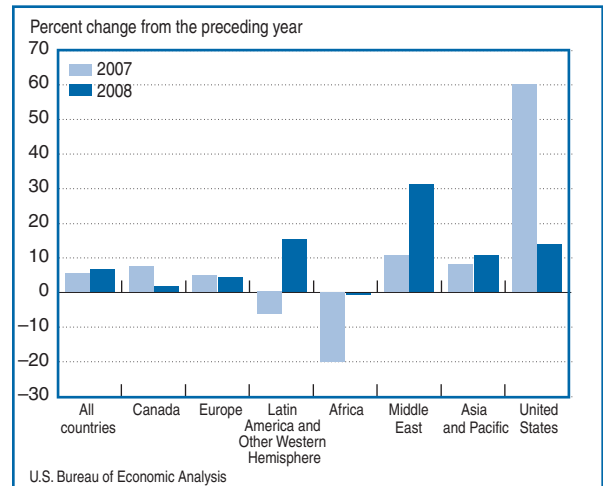
For Japan, growth in distributive services, which reflected a combination of improved margins and volume growth, contributed to increases across various industries. Finance and insurance also grew as a result of a combination of expanded activity and acquisitions.

Korean-owned affiliates' services were boosted by an increase for affiliates in wholesale trade.

Measuring Services Supplied Through Affiliates

Services are generally defined as economic outputs that are intangible. Services supplied corresponds to sales in most service industries except for wholesale and retail trade, insurance, and banking, which are based on measures that better capture output in those industries (for more information, see the “Revisions and Improvements” section in Koncz-Bruner and Flatness, SURVEY OF CURRENT BUSINESS 89 (October 2009): 37). 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. Intangible outputs are typically associated with the following industry sectors based on the North American Industry Classification System: utilities; transportation and warehousing; information; finance and insurance; real estate and rental and leasing; professional, scientific, and technical services; management of companies and enterprises; administrative and support and waste management and remediation services; educational services; health care and social assistance; arts, entertainment, and recreation; accommodation and food services; and other services (except public administration). Additionally, the output of support activities for agriculture and forestry or mining is typically intangible.

Chart 13. Services Supplied to U.S. Persons by Major Area of Ultimate Beneficial Owner, 2007 and 2008



Improving the International Services Statistics

BEA continues to improve its international services statistics, with some changes now implemented and others underway.¹

Benchmark insurance survey. The statistics presented in this article incorporate the results of BEA's benchmark insurance survey, the Benchmark Survey of Insurance Transactions by U.S. Insurance Companies With Foreign Persons, for 2008. The benchmark survey, conducted every 5 years, has a lower reporting threshold (\$2 million) than the quarterly insurance survey (\$8 million), so that BEA's insurance statistics reflect the transactions of firms falling below the quarterly reporting threshold. In addition, the National Association of Insurance Commissioners provided BEA with a list of insurance companies involved in international trade that BEA used to expand the survey mailing list. The incorporation of the data from the benchmark survey resulted in upward revisions to insurance receipts for 2007 and 2008 and upward revisions to payments for 2006–2008.

Expanded definition of repairs (payments). BEA has expanded statistics on payments for installation, maintenance, and repair services—a component of other business, professional, and technical services—to include additional transactions on repairs of U.S. goods performed abroad. The inclusion of these transactions, provided by the Census Bureau and reclassified from the goods account, improves the measurement of these services.

New source data for other transportation. Beginning with 2006, other transportation statistics include new source data from the U.S. Army Corps of Engineers on tonnages, types of transport, and import charges. The inclusion of these data resulted in downward revisions to ocean freight and port services receipts and payments.

Implementing new international standards. In 2008, the International Monetary Fund released the sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)*, which includes new guidelines on the compilation and presentation of international trade statistics. In addition, in 2010, a group of international organizations approved an updated *Man-*

ual on Statistics of International Trade in Services.

As part of a wider effort to align BEA's statistics with these recommendations, beginning with data for 1999, BEA reclassified fuel procured by air and ocean carriers in foreign ports from port services—a component of other transportation—to goods.²

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 card expenditures by U.S. travelers abroad and foreign travelers in the United States with new information on the portion of total travel expenditures that used credit cards. BEA has begun the collection and analysis of both types of information.

Currently, BEA uses a method that involves 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 administered to 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 card travel expenditures could potentially improve the quality of the statistics. Data on credit card transactions, collected from credit card companies and drawn 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 credit card transactions on the Quarterly Survey of Cross-Border Credit, Debit, and Charge Card Transactions.

To provide a basis for expanding these data to reflect transactions using all forms of payment—such as credit cards, cash withdrawals from ATMs, and travelers' checks—BEA conducted a one-time survey, the Survey of International Travel Expenditures, to collect information on the proportion of travel expenditures for each form of payment. The survey was administered in U.S. airports to U.S. residents returning from overseas and to non-U.S. residents departing the United States. BEA is currently reviewing the results of both surveys and designing a method for incorporating the results into the travel statistics.

1. For a summary of the improvements implemented in 1990–2003, see the appendix “Improvements to BEA's Estimates of U.S. International Services, 1990–2003,” in Borga and Mann, *SURVEY OF CURRENT BUSINESS* 83 (October 2003): 74–76. For a summary of changes initiated in 2004–2009, see the appendixes on improvements included in each October *SURVEY* article in this series since 2003. Additionally, for a summary of 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.

2. For more information see Kristy L. Howell and Robert E. Yuskavage, “Modernizing and Enhancing BEA's International Economic Accounts” *SURVEY* 90 (May 2010): 6–20.

Revisions

The revised statistics published in this article supersede those presented in the October 2009 SURVEY OF CURRENT BUSINESS.

Cross-border trade. The revised statistics on total (unaffiliated and affiliated combined) cross-border trade in services published in this article are consistent in both value and presentation with the less-detailed statistics by type of service that were published in the July 2010 SURVEY.

Cross-border exports and imports are revised for 1999–2008 (table M). In addition to the regular updates of source data, these revisions also incorporate a number of improvements, including the results of the Benchmark Survey of Insurance Transactions by U.S. Insurance Companies With Foreign Persons, new source data for portions of other transportation and other private services, and the reclassification of fuel purchases from other transportation services to the goods account. See the section “Improving the International Services Statis-

tics” for a detailed discussion of these revisions.¹

Except for imports for 2008, exports and imports for all years were revised down. For exports, the largest revision, \$10.7 billion (3 percent), was for 2006. For imports, the largest revision, \$8.6 billion (3 percent), was for 2005. For both exports and imports, the main contributor to the downward revisions in all years was other transportation services, particularly the reclassification of fuel purchases. For imports, for 1999–2007, these downward revisions were partly offset by upward revisions to other private services. For 2008, the upward revision to other private services more than offset the downward revision to other transportation, resulting in an upward revision to imports.

Services supplied through affiliates. The statistics on services supplied through affiliates for 2008 are preliminary. The estimates for 2007 have been revised to incorporate newly available and improved source data, to correct errors or omissions, or to implement other changes resulting from the regular annual revision of the data on multinational companies’ operations.

For 2007, the statistics on services supplied to foreign persons through foreign affiliates were revised down less than 1 percent (\$6.6 billion) to \$1,019.2 billion. Services supplied to the United States through U.S. affiliates were revised up less than 1 percent (\$6.0 billion) for 2007 to \$683.8 billion.

Table M. Revisions to Cross-Border Transactions

[Billions of dollars]

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Exports										
Revised	261.8	279.5	268.6	275.8	284.9	328.9	358.9	400.1	469.9	517.9
Previously published ...	265.1	284.0	272.8	279.6	290.2	336.3	368.5	410.8	478.1	525.8
Amount of revision	-3.4	-4.5	-4.2	-3.8	-5.3	-7.5	-9.6	-10.7	-8.3	-7.8
Imports										
Revised	180.5	203.4	200.6	206.0	218.2	252.5	270.9	305.3	335.1	365.5
Previously published ...	183.0	207.4	204.1	209.0	221.9	258.1	279.5	313.9	338.2	364.4
Amount of revision	-2.5	-4.0	-3.5	-3.0	-3.8	-5.6	-8.6	-8.6	-3.1	1.1

1. For additional information see Helen Y. Bai and Mai-Chi Hoang, “Annual Revision of the U.S. International Transactions Accounts,” SURVEY 90 (July 2010): 36–50.

Additional Information

Data Sources

The statistics in this article are primarily based on data from surveys conducted by the Bureau of Economic Analysis (BEA), but the 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 Survey of Transactions in Selected Services and Intangible Assets with Foreign Persons. All of the surveys of international services are available on BEA's Web site at www.bea.gov. Under "International," click on "Survey Forms and Related Mate-

rials" and then choose the link to "U.S. international services transactions."

The data on services supplied through majority-owned affiliates are collected in BEA's surveys of U.S. direct investment abroad and of foreign direct investment in the United States. For the methodologies for these surveys, see *Foreign Direct Investment in the United States: Final Results From the 2002 Benchmark Survey* and *U.S. Direct Investment Abroad: Final Results From the 2004 Benchmark Survey*.

For a summary of changes in survey methodology and other improvements to cross-border services statistics, see the *Catalog of Major Revisions to the U.S. International Accounts, 1976–2008*. The catalog is available on BEA's Web site www.bea.gov; click on "International" and then select the tab for "Methodologies" at the top of the page.

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Types of Cross-Border 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.

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.

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, 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, the fares received by U.S. vessel operators for travel on cruise vessels, and the fares paid by U.S. residents to foreign air carriers for travel between the United States and foreign countries and to foreign vessel operators for travel on cruise vessels.

Other transportation. These accounts cover U.S. international transactions arising from the transportation of goods by ocean, air, land (truck and rail), pipeline, 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. (Freight insurance on goods exports and imports is included in insurance in other private services.) Port services consist of the value of the goods (except fuel, which is included in merchandise trade in the international transactions accounts) 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 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.¹ Primary insurance mainly

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, see Christopher L. Bach, “Annual Revision of the U.S. International Accounts, 1989–2003,” SURVEY 84 (July 2004): 60–62. For a description of other components of insurance services, see Christopher L. Bach, “Annual Revision of the U.S. International Accounts, 1992–2002,” SURVEY 83 (July 2003): 35–37 and Christopher L. Bach, “Annual Revision of the U.S. International Accounts, 1995–2005,” SURVEY 84 (July 2006): 42.

Types of Cross-Border Services

consists of life insurance and property and casualty insurance, and each type may be reinsured.²

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 ser-

vices, and advertising services (see the list in table 1).

The “other services” component of other private services receipts consists mainly of expenditures (except employee compensation) by foreign governments in the United States for services such as maintaining their embassies and consulates; noncompensation-related expenditures by international organizations, such as the United Nations and the International Monetary Fund, that have operations in the United States; expenditures of foreign residents employed temporarily in the United States; and receipts from foreigners for the display, reproduction, or distribution of motion pictures and television programs. The “other services” component of other private services payments consists primarily of payments by U.S. distributors to foreign residents for the rights to display, reproduce, or distribute foreign motion pictures and television programs.

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.