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14.415. MSITS 2010 acknowledges that information on the value of all transactions between affiliated enterprises is helpful in understanding the degree to which the globalization of services is taking place. Such intrafirm trade in services can take up a substantial share of total services trade; for example, transactions between related (affiliated) enterprises accounted for 28 per cent of both United States exports and imports of private services in 2013.^[1] In addition, statistics on intrafirm services trade can highlight the role of services, in particular those related to intellectual property products, provided by one unit but used throughout the multinational enterprise. For example, the information for the United States shows that intrafirm trade accounted for 59 per cent of receipts of royalties and licence fees and 71 per cent of payments of charges for the use of intellectual property in 2013.

14.416. MSITS 2010, therefore, recommends that data on resident/non-resident transactions in services separately identify transactions with related and unrelated enterprises. Although such a breakdown would be most informative at the level of the detailed EBOPS 2010 classification, it is recognized that this could place an additional burden on both suppliers and compilers of data and could raise issues of confidentiality. In that connection, MSITS 2010 recommends that such a breakdown be carried out at the aggregate level for total services transactions (under the complementary grouping of EBOPS entitled total services transactions between related enterprises), although countries willing to provide additional detail are encouraged to do so for some relevant aggregated EBOPS 2010 categories.^[2]

14.417. MSITS 2010 associates related enterprises (intrafirm trade) to direct investment relationships.^[3] Should the criteria for related enterprises depart from that recommendation, it is good practice to clearly describe the criteria chosen in a country's trade in services metadata.

14.418. It is good practice to carefully examine the valuation of services transactions between related enterprises, as the recorded transactions could underestimate or overestimate and misrepresent the real flows of trade (as measured by market prices) if such transactions between related enterprises are based on transfer prices (see also chapter 1 for transfer/market prices).

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[1] United States cross-border trade in private services excludes transactions by the United States Government (including the military). Trade in private services is the most appropriate basis for comparison because intrafirm trade covers only trade by businesses.

[2] See MSITS 2010, para. 3.56. Note that for some transactions/services items, compiling such a breakdown would not be relevant, e.g., transactions in which individuals are consuming services and education services.

[3] See MSITS 2010, paras. 4.58-4.60 for further details.