

Country experience: United States (Chapter 14)

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14.419. For conceptual reasons or due to source data limitations, the Bureau of Economic Analysis (BEA) of the United States presents statistics only on intrafirm trade for selected types of services. Transactions between individuals and businesses are considered to be between unaffiliated parties. Thus, personal and business travel services, which are transactions by individuals who travel to foreign countries; education, which consists of expenditures for tuition and living expenses of students studying in foreign countries; medical services, which cover expenditures by patients in foreign countries; and expenditures by non-resident workers, are all considered to be unaffiliated transactions. Passenger transportation, which covers transactions between individuals and foreign airline or vessel operators, are also considered to be unaffiliated transactions. Transactions in insurance services are deemed to be unaffiliated even when they are between affiliated companies because the services are deemed to be provided to the policyholders who pay the insurance premiums and are unaffiliated with the multinational company. Transport services, other than passenger transport, are treated as unaffiliated because the source data do not allow transactions between affiliated parties to be separately identified from transactions between unaffiliated parties.

14.420. The remaining categories, including charges for the use of intellectual property; telecommunications, computer and information services; financial services; and other business services, can have affiliated transactions. The source data for those statistics are BEA surveys.^[1] On the surveys, United States companies are asked to report their transactions in a specific service type by country and, for each country, by whether the transaction was with their foreign affiliates, with their foreign parent or with foreign affiliates of their foreign parent or with unaffiliated parties.

14.421. The definitions of affiliated parties are the same as those used to identify a direct investment relationship. A foreign affiliate is a foreign business enterprise in which a United States person directly or indirectly owns or controls 10 per cent or more of the voting stock in an incorporated business enterprise or an equivalent interest in an unincorporated business, including a branch. A foreign parent is the first person outside the United States that owns or controls 10 per cent or more of the voting stock in an incorporated United States business enterprise or an equivalent interest in an unincorporated United States business, including a branch. Foreign affiliates of the foreign parent are defined according to more restrictive criteria than above as they are any foreign persons, proceeding up the foreign parent's ownership chain, that owns more than 50 per cent of the person below it up to and including that person that is not owned more than 50 per cent by another foreign person and any foreign persons, proceeding down the ownership chains of each of those members, that is owned more than 50 per cent by the person above it.

14.422. By collecting data on transactions with foreign affiliates separately from those with foreign parents and foreign affiliates of the foreign parent, transactions within United States multinational enterprises, i.e., between United States parent enterprises and their foreign affiliates, can be distinguished from those within foreign multinational enterprises, i.e., between United States affiliates and the foreign multinational enterprises that invest in them.

14.423. Multinational enterprises sometimes allocate expenses across various divisions or parts of the enterprise, rather than billing them separately. Such allocations, often called allocated expenses, headquarters services or miscellaneous charges, are sometimes for a designated service, such as for research and development, but sometimes no specific service is designated. It is important to note here that the management of patents and licence fees, which may be similar to allocated expenses, should be recorded in other business services n.i.e. If the type of headquarters service is known, BEA asks reporters to include those allocated expenses in its data for that type of service. If the type of service is not known, BEA asks reporters to include them in the category of "management, consulting and public relations (including allocated expenses)."

Back to D. Service transactions between related (affiliated) enterprises

[1] Financial services are collected on the United States Department of Commerce, Bureau of Economic Analysis BE-185 Quarterly Survey of Financial Service Transactions between United States Financial Service Providers and Foreign Persons and the BE-180 Benchmark Survey of Financial Service Transactions between United States Financial Service Providers and Foreign Persons. Telecommunications and most business, professional and technical services are collected on the BE-125 Quarterly Survey of Transactions in Selected Services and Intangible Assets with Foreign Persons and the BE-120 Benchmark Survey of Transactions in Selected Services and Intellectual Property with Foreign Persons. Those surveys can be found on Bureau's website, www.bea.gov, by looking under "International" and clicking on "Survey forms and related materials."